

Village of Coalton
Jackson County
Regular Audit
For the Years Ended December 31, 2009 and 2008



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Mary Taylor, CPA

Auditor of State

Village Council
Village of Coalton
P.O. Box 98
Jackson, Ohio 45621

We have reviewed the *Independent Auditor's Report* of the Village of Coalton, Jackson County, prepared by Millhuff-Stang, CPA, Inc, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Coalton is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 3, 2010

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Jackson County
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Independent Auditor's Report

Village Council
Village of Coalton
P.O. Box 98
Jackson, Ohio 45621

We have audited the accompanying financial statements of the Village of Coalton, Jackson County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Coalton, Jackson County, Ohio as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

October 15, 2010

Village of Coalton
Jackson County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$31,690	\$0	\$31,690
Licenses, Permits, and Fees	14,781	0	14,781
Intergovernmental	55,338	45,215	100,553
Charges for services	0	18,665	18,665
Earnings on Investments	59	177	236
Miscellaneous	3,186	0	3,186
Total Cash Receipts	105,054	64,057	169,111
Cash Disbursements:			
Current:			
General Government	29,679	47	29,726
Security of Persons and Property	50,154	18,522	68,676
Transportation	0	16,966	16,966
Public Health Services	0	1,397	1,397
Basic Utility Services	0	112	112
Capital Outlay	2,810	600	3,410
Debt Service:			
Redemption of Principal	0	10,543	10,543
Interest and Other Fiscal Charges	0	2,040	2,040
Total Cash Disbursements	82,643	50,227	132,870
Total Cash Receipts Over Cash Disbursements	22,411	13,830	36,241
Other Financing Sources (Uses):			
Advances In	3,000	3,000	6,000
Transfers Out	(1000)	0	(1,000)
Advances Out	(3000)	(3000)	(6,000)
Other Financing Sources	0	2,044	2,044
Total Other Financing Sources (Uses)	(1,000)	2,044	1,044
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses	21,411	15,874	37,285
Fund Cash Balances, January 1	78,490	111,789	190,279
Fund Cash Balances, December 31	\$99,901	\$127,663	\$227,564
Reserve for Encumbrances, December 31	\$1,379	\$50	\$1,429

The notes to the financial statements are an integral part of this statement.

Village of Coalton
Jackson County

Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2009

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$233,166	\$0	\$233,166
Miscellaneous	3,593	0	3,593
Total Cash Receipts	236,759	0	236,759
Operating Cash Disbursements:			
Personal Services	35,849	0	35,849
Employee Fringe Benefits	7,777	0	7,777
Contractual Services	173,833	0	173,833
Supplies and Materials	22,525	0	22,525
Total Cash Disbursements	239,984	0	239,984
Operating (Loss)	(3,225)	0	(3,225)
Non-Operating Cash Receipts:			
Debt Proceeds	75,444	0	75,444
Other Non-Operating Receipts	0	14,833	14,833
Total Non-Operating Cash Receipts	75,444	14,833	90,277
Non-Operating Cash Disbursements:			
Redemption of Principal	18,885	0	18,885
Interest and Other Fiscal Charges	13,403	0	13,403
Capital Outlay	13,560	0	13,560
Other Non-Operating Disbursements	0	14,943	14,943
Total Non-Operating Cash Disbursements	45,848	14,943	60,791
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	26,371	(110)	26,261
Transfers In	1,000	0	1,000
Net Receipts Over/(Under) Disbursements	27,371	(110)	27,261
Fund Cash Balances, January 1	161,291	1,073	162,364
Fund Cash Balances, December 31	\$188,662	\$963	\$189,625
Reserve for Encumbrances, December 31	\$655	\$0	\$655

The notes to the financial statements are an integral part of this statement.

Village of Coalton
Jackson County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$34,207	\$0	\$34,207
Licenses, Permits, and Fees	18,626	0	18,626
Intergovernmental	68,916	128,387	197,303
Charges for Services	0	22,241	22,241
Earnings on Investments	23	442	465
Miscellaneous	876	1,612	2,488
Total Cash Receipts	122,648	152,682	275,330
Cash Disbursements:			
Current:			
General Government	36,472	51	36,523
Security of Persons and Property	45,516	101,925	147,441
Transportation	0	13,203	13,203
Public Health Services	0	3,806	3,806
Basic Utility Services	0	1,113	1,113
Capital Outlay	1,600	12,000	13,600
Community Environment	0	3,596	3,596
Debt Service:			
Redemption of Principal	0	7,138	7,138
Interest and Other Fiscal Charges	0	838	838
Total Cash Disbursements	83,588	143,670	227,258
Total Cash Receipts Over Cash Disbursements	39,060	9,012	48,072
Other Financing Sources (Uses):			
Transfers In	0	1,000	1,000
Advances In	7,651	0	7,651
Transfers Out	(1000)	0	(1,000)
Advances Out	0	(7651)	(7,651)
Other Financing Sources	650	0	650
Sale of Fixed Assets	25	0	25
Total Other Financing Sources (Uses)	7,326	(6,651)	675
Excess of Cash Receipts and Other Financing Sources Under Cash Disbursements and Other Financing Uses	46,386	2,361	48,747
Fund Cash Balances, January 1	32,104	109,428	141,532
Fund Cash Balances, December 31	\$78,490	\$111,789	\$190,279
Reserve for Encumbrances, December 31	\$1,326	\$73	\$1,399

The notes to the financial statements are an integral part of this statement.

Village of Coalton
Jackson County
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$216,085	\$0	\$216,085
Total Cash Receipts	216,085	0	216,085
Operating Cash Disbursements:			
Personal Services	31,412	0	31,412
Employee Fringe Benefits	10,018	0	10,018
Contractual Services	136,028	0	136,028
Supplies and Materials	21,917	0	21,917
Other	263	0	263
Total Cash Disbursements	199,638	0	199,638
Operating Income	16,447	0	16,447
Non-Operating Cash Receipts:			
Interest	124	0	124
Debt Proceeds	131,503	0	131,503
Other Non-Operating Receipts	21	20,127	20,148
Total Non-Operating Cash Receipts	131,648	20,127	151,775
Non-Operating Cash Disbursements:			
Redemption of Principal	9,897	0	9,897
Interest and Other Fiscal Charges	12,468	0	12,468
Capital Outlay	101,290	0	101,290
Other Non-Operating Disbursements	0	21,760	21,760
Total Non-Operating Cash Disbursements	123,655	21,760	145,415
Net Receipts Over/(Under) Disbursements	24,440	(1,633)	22,807
Fund Cash Balances, January 1	136,851	2,706	139,557
Fund Cash Balances, December 31	\$161,291	\$1,073	\$162,364
Reserve for Encumbrances, December 31	\$867	\$0	\$867

The notes to the financial statements are an integral part of this statement.

Village of Coalton
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Coalton, Jackson County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Mayor is elected to a four-year term, and votes only to break a tie. The Village provides general government services, police services and street construction, repair and maintenance, as well as water, sewer and trash utilities. The Village also appropriates funds to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificate of deposit at cost.

Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund – This fund receives gasoline tax and motor vehicle tax monies for constructing, maintaining, and repairing Village streets.

Fire Fund – This fund receives fire contract and service fee monies for the operation and maintenance of the Village's fire department.

Village of Coalton
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer service costs.

Fiduciary Funds

Fiduciary funds include trust funds and agency funds. The Village has no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following Agency Fund:

Mayor's Court Fund – This fund receives fine money, a portion of which is paid into the Village's General Fund for maintaining the security of persons and property within the Village. The other portion of the fines received into this account is paid to the State of Ohio and any other agency as required by law.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over and need not be re-appropriated.

A summary of the 2009 and 2008 budgetary activity appears in Note 3.

Village of Coalton
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 2 – Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2009	2008
Demand Deposits	\$394,668	\$330,122
Certificates of deposit	22,521	22,521
Total deposits	\$417,189	\$352,643

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution.

Note 3 – Budgetary Activity

Budgetary activity, except for agency funds, for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,054	\$108,054	\$0
Special Revenue	70,291	69,101	(1,190)
Enterprise	313,203	313,203	0
Total	\$491,548	\$490,358	(\$1,190)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,643	\$88,022	\$(1,379)
Special Revenue	53,228	53,277	(49)
Enterprise	285,832	286,487	(655)
Total	\$425,703	\$427,786	\$(2,083)

Village of Coalton
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 3 – Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,974	\$130,974	\$0
Special Revenue	153,681	153,682	1
Enterprise	347,245	347,733	488
Total	\$631,900	\$632,389	\$489

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,912	\$85,914	(\$2)
Special Revenue	143,744	151,394	(7,650)
Enterprise	323,674	324,160	(486)
Total	\$553,330	\$561,468	(\$8,138)

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 5 – Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds (FmHA)	\$223,786	5.00%
2005 OWDA Sewer Expansion Loan	192,180	5.16%
2009 OWDA Loan	488	4.20%
Trash Truck Loan	<u>65,771</u>	4.75%
Total	<u>\$482,225</u>	

Village of Coalton
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 5 – Debt (Continued)

The Farmers Home Administration (FmHA) Mortgage Revenue Bonds relate to a water and sewer plant project mandated by the Ohio Environmental Protection Agency. These bonds are to be paid from user charges for the utilities.

The 2000 Ohio Water Development Authority (OWDA) loan, originally issued in the amount of \$33,382, relates to equipment purchases and the installation of a wastewater treatment plant the Ohio Environmental Protection Agency mandated. The Village repaid the loans in semiannual installments of \$1,868.50, including interest, over 10 years. Sewer receipts collateralize the loan. The Village agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan was paid in full as of December 31, 2009.

The 2005 Ohio Water Development Authority (OWDA) loan, initially approved for \$175,000, is for the expansion and complete reconstruction of the Village’s sewer processing facility. As of December 31, 2009, the Village had drawn \$175,000 of the loan principal and been assessed \$17,180 in capitalized interest. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds and will repay the debt. The loan has not been finalized as of December 31, 2009, and therefore, an amortization schedule has not been established.

The 2007 Cruiser Lease relates to a lease with Ford Motor Credit Company for the purchase of a police cruiser. The original amount of the lease was \$21,816. Quarterly lease payments in the amount of \$1,994 are due throughout the term of the lease. The final lease payment was made in December of 2009.

The 2009 Ohio Water Development Authority (OWDA) loan, initially approved for \$140,000, is for Water System Design. As of December 31, 2009, the Village had drawn \$488 of the loan principal and been assessed \$0 in capitalized interest. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt. The loan has not been finalized as of December 31, 2009, and therefore, an amortization schedule has not been established.

The trash truck loan relates to a loan with The Milton Banking Company for the purchase of a trash truck. The original amount of the loan was \$77,180. Bi-annual payments in the amount of \$7,466.94 are due throughout the term of the loan.

Amortization of the above leases, including interest, is scheduled as follows:

Year ending December 31:	Mortgage Revenue Bonds	Trash Truck Loan
2010	\$ 18,517	\$ 14,934
2011	18,517	14,934
2012	18,517	14,934
2013	18,517	14,934
2014	18,517	14,934
2015-2019	92,586	14,934
2020-2024	92,586	0
2025-2028	73,187	0
	\$ 350,944	\$ 89,604

Village of Coalton
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 6 - Retirement Systems

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, with the contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

Note 7 - Risk Management

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008.

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Retained Earnings	\$21,118,036	\$20,459,329

Village of Coalton
Jackson County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Risk Management (Continued)

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Government's share of these unpaid claims collectible in future years is approximately \$15,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$15,432	\$14,242

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Compliance

- The Village did not always properly certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Village had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).

Note 9 – Financial Commitments

As of December 31, 2009, the Village had the following commitments:

- The Village owed the Auditor of State \$24,061 in audit fees and had entered into a payment plan of \$400 per month to retire the outstanding balance.
- The Village owed the Bureau of Workers Compensation \$6,567 for workers' compensation coverage on employees. On February 2008, the Village made an agreement with the Bureau of Workers Compensation to pay \$750 per month until the obligation is fully retired.

Note 10 – Subsequent Events

During 2010 the Village was approved for a loan/grant for Ohio Public Works Commission in the amount of \$600,000 for renovations to the sewer system. They were also approved for a loan in the amount of \$587,000 and a grant in the amount of \$1,871,000 from the United States Department of Agriculture.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Coalton
P.O. Box 98
Jackson, Ohio 45621

We have audited the financial statements of the Village of Coalton, Jackson County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 15, 2010, wherein we noted the Village followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. This item is identified as item 2009-001.

Village of Coalton
Jackson County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-002 and 2009-003.

We noted certain matters that we reported to the management of the Village in a separate letter dated October 15, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Village Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

October 15, 2010

Village of Coalton
Jackson County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2009-001

Material Weakness – Misclassifications in the Financial Statements

A monitoring system by the Village should be in place to prevent or detect misclassifications for the accurate presentation of the Village's financial statements. The Village misclassified various receipts and disbursements by line items which have been corrected in the accompanying financial statements. The Village should implement additional monitoring procedures to ensure transactions are properly recorded.

Client Response:

We are working with Local Government Services to make sure this is corrected.

FINDING NUMBER 2009-002

Noncompliance – Proper Encumbrance of Funds

Ohio Revised Code Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – The fiscal officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Village of Coalton
Jackson County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-002 (Continued)

Noncompliance – Proper Encumbrance of Funds (Continued)

The Village did not properly certify the availability of funds for purchase commitments for 83 percent of expenditures tested for 2008 and 38 percent of expenditures tested for 2009. Failure to properly certify the availability of funds can result in overspending funds, negative cash fund balances, or unauthorized or improper disbursements. The Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

Client Response:

We are currently trying to implement this.

FINDING NUMBER 2009-003

Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village had expenditures in excess of appropriations at the legal level of control in the Fire Fund in 2008 and in other funds in 2008 and 2009 in lesser amounts. Failure to monitor budgets subjects the Village to the risk of improper spending or overspending. The Village should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized/appropriated amounts.

Client Response:

We are going to check into this to see if we can clear from the UAN system outstanding encumbrances at year end. Most likely it is due to payroll issues.

Village of Coalton
Jackson County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 9.38 – Depositing of Public Money	No	Partially Corrected - Reissued in Management Letter.
2007-002	ORC 135.18(A) – Pledged Securities	Yes	
2007-003	ORC 5705.41(D) – Proper Encumbrance of Funds	No	Reissued as Finding 2009-002
2007-004	ORC 117-2-02(C)(1) – Budgetary Info Within Accounting System	No	Partially Corrected – Reissued in Management Letter.

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Mary Taylor, CPA
Auditor of State

VILLAGE OF COALTON

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 16, 2010**