



Mary Taylor, CPA
Auditor of State

VILLAGE OF COALTON
JACKSON COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

August 7, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

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, 2006 and 2005. 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.

Except as described in the following paragraph, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. The Auditor of State also served during the years ended December 31, 2006 and 2005 as the Village's financial supervisor under Ohio Rev. Code Section 118.05(G). We believe our audit provides a reasonable basis for our opinion.

The Village was unable to provide 2005 utility billing stubs for the Enterprise Funds.

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 to present its 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require, villages 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to examine 2005 utility billing stubs for the Enterprise Funds, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Coalton, Jackson County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 1 to the financial statements, the State of Ohio Auditor's Office declared the Village to be in fiscal emergency on August 1, 1993, and has continued to be in fiscal emergency since that time, which raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Auditor of State has billed the Village for audit services provided for prior years. As of the date of this report, the Village has been billed \$19,945 for the December 31, 2006 and 2005 audit and has yet to pay \$19,945, and has been billed \$32,400 for prior years' audits and has yet to pay \$32,400. The total unpaid audit fees are \$52,345.

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 August 7, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 7, 2007

**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, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 21,440	\$	\$ 21,440
Intergovernmental	62,710	56,132	118,842
Charges for Services		11,672	11,672
Fines, Licenses and Permits	11,072		11,072
Earnings on Investments	87	1,202	1,289
Miscellaneous	2,493	50	2,543
	<u>97,802</u>	<u>69,056</u>	<u>166,858</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	38,071	22,456	60,527
Public Health Services		1,899	1,899
Leisure Time Activities	2,736		2,736
Community Environment		80	80
Transportation	25	10,448	10,473
General Government	30,086	7,712	37,798
Debt Service:			
Redemption of Principal		5,000	5,000
Interest and Fiscal Charges		400	400
Capital Outlay		4	4
	<u>70,918</u>	<u>47,999</u>	<u>118,917</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>26,884</u>	<u>21,057</u>	<u>47,941</u>
Other Financing Receipts / (Disbursements):			
Transfers-Out	<u>(122)</u>		<u>(122)</u>
Total Other Financing Receipts / (Disbursements)	<u>(122)</u>	<u>0</u>	<u>(122)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	26,762	21,057	47,819
Fund Cash Balances, January 1	<u>14,630</u>	<u>68,340</u>	<u>82,970</u>
Fund Cash Balances, December 31	<u>\$ 41,392</u>	<u>\$ 89,397</u>	<u>\$ 130,789</u>
Reserve for Encumbrances, December 31	<u>\$ 17,486</u>	<u>\$ 1,574</u>	<u>\$ 19,060</u>

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, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 208,804	\$	\$ 208,804
Miscellaneous	296		296
Total Operating Cash Receipts	<u>209,100</u>	<u>0</u>	<u>209,100</u>
Operating Cash Disbursements:			
Personal Services	21,279		21,279
Employee Fringe Benefits	12,686		12,686
Contractual Services	102,988		102,988
Supplies and Materials	11,233		11,233
Other	1,331		1,331
Total Operating Cash Disbursements	<u>149,517</u>	<u>0</u>	<u>149,517</u>
Operating Income/(Loss)	<u>59,583</u>	<u>0</u>	<u>59,583</u>
Non-Operating Cash Receipts/(Disbursements):			
Earnings on Investments	124		124
Other Non-Operating Cash Receipts		11,185	11,185
Capital Outlay	(7,187)		(7,187)
Redemption of Principal	(10,736)		(10,736)
Interest and Other Fiscal Charges	(12,901)		(12,901)
Other Non-Operating Cash Disbursements		(11,229)	(11,229)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(30,700)</u>	<u>(44)</u>	<u>(30,744)</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	28,883	(44)	28,839
Transfers-In	122		122
Net Receipts Over/(Under) Disbursements	29,005	(44)	28,961
Fund Cash Balances, January 1	<u>63,637</u>	<u>330</u>	<u>63,967</u>
Fund Cash Balances, December 31	<u>\$ 92,642</u>	<u>\$ 286</u>	<u>\$ 92,928</u>
Reserve for Encumbrances, December 31	<u>\$ 19,525</u>	<u>\$ 0</u>	<u>\$ 19,525</u>

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, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 18,839	\$	\$ 18,839
Intergovernmental	34,499	46,005	80,504
Charges for Services	835	12,228	13,063
Fines, Licenses and Permits	15,281		15,281
Earnings on Investments		146	146
Miscellaneous	128	1	129
	<u>69,582</u>	<u>58,380</u>	<u>127,962</u>
Total Cash Receipts			
	<u>69,582</u>	<u>58,380</u>	<u>127,962</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	21,461	13,998	35,459
Public Health Services		405	405
Basic Utility Service	1,485		1,485
Transportation	75	7,807	7,882
General Government	40,995		40,995
Debt Service:			
Redemption of Principal		16,362	16,362
Interest and Fiscal Charges		1,201	1,201
	<u>64,016</u>	<u>39,773</u>	<u>103,789</u>
Total Cash Disbursements			
	<u>64,016</u>	<u>39,773</u>	<u>103,789</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>5,566</u>	<u>18,607</u>	<u>24,173</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		6,888	6,888
Transfers-Out	(6,888)		(6,888)
Other Financing Uses	(3,628)	(432)	(4,060)
	<u>(10,516)</u>	<u>6,456</u>	<u>(4,060)</u>
Total Other Financing Receipts / (Disbursements)			
	<u>(10,516)</u>	<u>6,456</u>	<u>(4,060)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,950)	25,063	20,113
Fund Cash Balances, January 1	19,580	43,277	62,857
Fund Cash Balances, December 31	<u>\$ 14,630</u>	<u>\$ 68,340</u>	<u>\$ 82,970</u>
Reserve for Encumbrances, December 31	<u>\$ 36,878</u>	<u>\$ 0</u>	<u>\$ 36,878</u>

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, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 194,849	\$	\$ 194,849
Total Operating Cash Receipts	<u>194,849</u>	<u>0</u>	<u>194,849</u>
Operating Cash Disbursements:			
Personal Services	50,221		50,221
Employee Fringe Benefits	44,520		44,520
Contractual Services	28,413		28,413
Supplies and Materials	49,113		49,113
Capital Outlay	54,090		54,090
Total Operating Cash Disbursements	<u>226,357</u>	<u>0</u>	<u>226,357</u>
Operating Income/(Loss)	<u>(31,508)</u>	<u>0</u>	<u>(31,508)</u>
Non-Operating Cash Receipts/(Disbursements):			
Intergovernmental	13,250		13,250
Other Debt Proceeds	45,111		45,111
Miscellaneous Receipts	6		6
Other Non-Operating Cash Receipts		15,202	15,202
Redemption of Principal	(5,494)		(5,494)
Interest and Other Fiscal Charges	(14,354)		(14,354)
Other Non-Operating Cash Disbursements	(5,887)	(15,725)	(21,612)
Total Non-Operating Cash Disbursements	<u>32,632</u>	<u>(523)</u>	<u>32,109</u>
Net Cash Receipts Over/(Under) Cash Disbursements	1,124	(523)	601
Fund Cash Balances, January 1	<u>62,513</u>	<u>853</u>	<u>63,366</u>
Fund Cash Balances, December 31	<u>\$ 63,637</u>	<u>\$ 330</u>	<u>\$ 63,967</u>
Reserve for Encumbrances, December 31	<u>\$ 46,072</u>	<u>\$ 0</u>	<u>\$ 46,072</u>

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

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. 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.

The Auditor of State of Ohio declared the Village to be in fiscal emergency on August 1, 1993. A financial planning and supervision commission was established to develop and oversee a financial recovery plan. The Village Council was prohibited from taking any action which is contrary to or not authorized by the plan. The Commission's primary charge was to develop, adopt and implement a financial recovery plan. The original recovery plan was adopted on April 1, 1994. State law requires the plan to be updated annually. The last update was approved on June 29, 2006.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State 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.

C. 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. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit at cost.

D. 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:

1. General Fund

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

VILLAGE OF COALTON
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than 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 license tax money 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.

Community Improvement Fund – This fund receives sales tax monies for general improvement and other purposes that will benefit the entire community.

3. 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.

Coalton/Glenroy Sewer Fund – This fund receives grant and debt proceeds used for the construction of a new sanitary sewer system which will service both the Coalton and the Glenroy communities.

4. Fiduciary Funds (Agency 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.

VILLAGE OF COALTON
JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. 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.

2. 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.

3. 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 reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. 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.

G. 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.

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:

	2006	2005
Demand deposits	\$ 201,196	\$ 125,091
Certificates of deposit	22,521	21,846
Total deposits	<u>\$ 223,717</u>	<u>\$ 146,937</u>

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 66,960	\$ 97,802	\$ 30,842
Special Revenue	55,023	69,056	14,033
Enterprise	175,953	209,346	33,393
Total	\$ 297,936	\$ 376,204	\$ 78,268

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,959	\$ 88,526	\$ (21,567)
Special Revenue	55,020	49,573	5,447
Enterprise	175,949	199,866	(23,917)
Total	\$ 297,928	\$ 337,965	\$ (40,037)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 67,209	\$ 69,582	\$ 2,373
Special Revenue	36,378	65,268	28,890
Enterprise	158,919	253,216	94,297
Total	\$ 262,506	\$ 388,066	\$ 125,560

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 57,127	\$ 111,410	\$ (54,283)
Special Revenue	31,734	40,205	(8,471)
Enterprise	147,463	298,164	(150,701)
Total	\$ 236,324	\$ 449,779	\$ (213,455)

Contrary to Ohio law, appropriations exceeded estimated resources at December 31, 2006 in the State Highway, Utility Deposits, Sewer CCR, and Sewer RP Funds.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the years ended December 31 as follows:

Fund	2006	2005
General Fund	\$ (21,566)	\$ (54,283)
Fire Fund	(4,953)	(8,664)
Community Improvement Board		(3,864)
Housing Rehabilitation	(80)	
FEMA	(443)	
Water Operating		(27,871)
Sewer Operating	(5,915)	(21,909)
Sewer Debt	(8,879)	
Sewer Replacement		(8,722)
Trash Operating	(2,243)	(23,596)
Coalton/Glenroy Sewer	(13,372)	(45,111)
Deposits		(25,435)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rates
Mortgage Revenue Bonds (FmHA)	\$ 242,686	5.00%
2000 OWDA Sewer Plant Loan	12,523	2.20%
2005 OWDA Sewer Expansion Loan	49,363	5.16%
Total	<u>\$ 304,572</u>	

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

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 will repay the loans in semiannual installments of \$1,868.50, including interest, over 10 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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, 2006, the Village had drawn out \$45,721 of the loan principal and been assessed \$3,642 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 fully drawn down nor has it been finalized as of December 31, 2006, and therefore, an amortization schedule has not been established.

Amortization of the above debt, including interest, follows:

Year Ending December 31:	Mortgage Revenue Bonds (FmHA)	OWDA Loan
2007	\$ 18,034	\$ 3,737
2008	18,139	3,737
2009	18,224	3,737
2010	18,189	1,869
2011	18,439	
2012-2016	93,555	
2017-2021	98,510	
2022-2026	93,228	
2027-2028	25,600	
Total	<u>\$ 401,918</u>	<u>\$13,080</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 9 percent of their wages in 2006. In 2005, OPERS members contributed 8.5 percent of their wages.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

The Village contributed an amount equal to 13.7 percent of participants' gross salaries in 2006. The Village contribution rate for 2005 was 13.55 percent. The Village has paid all OPERS and OP&F contributions required through December 31, 2006.

7. RISK MANAGEMENT

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

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

The Village 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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers' provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 30,997,868	\$ 29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained Earnings	<u>\$ 15,122,127</u>	<u>\$ 13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 5,125,326	\$ 4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained Earnings	<u>\$ 4,262,163</u>	<u>\$ 3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$30,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

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 by PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$ 14,859
2006	\$ 15,137

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. 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.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

9. VILLAGE FISCAL EMERGENCY

In August 1993, the Village was placed in a state of Fiscal Emergency, under Chapter 118 of the Ohio Revised Code and the Fiscal Commission was organized in January 1994. This emergency existed because the Village had a deficit fund balance in the General Fund and did not pay bills when due.

The Village is still considered in Fiscal Emergency, with the Local Government Services Division of the State Auditor's Office performing the duties as Financial Supervisor for the Village. On April 9, 2007, the Fiscal Commission has voted in favor of requesting the Auditor of State to release the Village from Fiscal Emergency.

10. FINANCIAL COMMITMENTS/SUBSEQUENT EVENTS

As of December 31, 2006, the Village had the following commitments:

- The Village owed the Ohio Department of Jobs and Family Services a minimum of \$7,345 for unemployment claims paid on behalf of the Village. On March 30, 2007, the Village paid the Ohio Department of Job and Family Services \$7,345 and retired all outstanding obligations due the ODJFS.
- The Village owed the State of Ohio \$2,480 for State Income Taxes not remitted, including interest and penalties. On February 23, 2007, the Village retired all remaining obligations with the State of Ohio for unremitted State Income Taxes.
- The Village owed the Bureau of Workers Compensation \$37,646 for the workers' compensation coverage on employees. On April 24, 2007, the Village submitted a payment of \$13,079 to the Ohio Bureau of Workers' Compensation for unpaid workers' compensation insurance. It is the Village's intention to make two full payments annually until this obligation is fully retired.
- The Village owed the Auditor of State \$32,400 in audit fees and had entered into a payment plan of \$400 per month to retire the outstanding balance.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

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, 2006 and 2005, and have issued our report thereon dated August 7, 2007, wherein we noted the Village follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and where we also noted that the 2005 utility billing stubs for the Enterprise Funds were unable to be audited. Additionally we noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. Except as discussed in the preceding sentences, 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-004 through 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-004, 2006-006, 2006-007 and 2006-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 7, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-008.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 7, 2007.

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

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 7, 2007

**VILLAGE OF COALTON
JACKSON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2006-001

Noncompliance Finding – Finding for Recovery

Payroll payments to Village employees should have supporting documentation and the employees should be compensated according to the employee personnel manual.

Sherman Tilley, former Village Administrator, received a payment on December 8, 2005 for 120 hours of unused vacation leave at \$8.00 per hour. The payment was neither supported by leave records, nor was it expressly approved by Village Council, but was issued by former Village Clerk-Treasurer Majel Keairns.

The following table reflects the payment:

<u>Gross Amount</u>	<u>PERS Match</u>	<u>Medicare Match</u>	<u>Total</u>
\$ 960.00	\$ 130.08	\$ 13.92	\$ 1,104.00

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Sherman Tilley, former Village Administrator and Majel Keairns, former Clerk-Treasurer, jointly and severally, in the amount of \$1,104.00, and in favor of the Street Fund (\$165.60), Water Fund (\$298.08), Sewer Fund (\$298.08), Sewer RP Fund (\$110.41) and Trash Fund (\$231.83) of the Village of Coalton.

Client Response:

Village Council will be sending a request to the County Prosecuting Attorney that he pursue this finding both criminally and civilly.

FINDING NUMBER 2006-002

Noncompliance Finding – Finding for Recovery

Payroll payments to Village employees should have supporting documentation and the employees should be compensated according to the employee personnel manual.

Tisa Neal, former Utility Clerk, received a payment on December 8, 2005 for 53 hours of unused vacation leave at \$8.38 per hour. The payment was not supported by leave or other records, nor was it expressly approved by Village Council, but was issued by former Village Clerk-Treasurer Majel Keairns.

The following table reflects the payment:

<u>Gross Amount</u>	<u>PERS Match</u>	<u>Medicare Match</u>	<u>Total</u>
\$ 444.14	\$ 60.18	\$ 6.44	\$ 510.76

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2006-002 (Continued)

Noncompliance Finding – Finding for Recovery (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Tisa Neal, former Utility Clerk, and Majel Keairns, former Clerk-Treasurer, jointly and severally, in the amount of \$510.76, and in favor of the General Fund (\$76.62), Water Fund (\$153.23), Sewer Fund (\$153.23), and Trash Fund (\$127.68) of the Village of Coalton.

Client Response:

Village Council will be sending a request to the County Prosecuting Attorney that he pursue this finding both criminally and civilly.

FINDING NUMBER 2006-003

Noncompliance Finding

Ohio Rev. Code Section 4141.01(B)(3)(c)(i) states, in part, that “employment” does not include services rendered as a publicly elected official (as defined in division (B)(2)(a)) if they are found not subject to the “Federal Unemployment Tax Act,” and if the services are not required to be included under division (B)(2)(j) of this Section.

Unemployment payments were charged to the Village of Coalton by the Ohio Department of Job and Family Services for Majel Keairns, former Clerk-Treasurer, and Marvin Bates, former Mayor. These payments were for services rendered while the aforementioned individuals were serving as elected officials during 2004.

The following table reflects the payments:

Majel Keairns	\$ 1,008.78
Marvin Bates	92.84
Total	\$ 1,101.62

In November 2007, the Ohio Department of Job and Family Services reviewed the claim and determined that the Village was erroneously charged for the claim and subsequently removed the Village from the claim. However, no refund or credit of the amounts paid in error by the Village was given.

We recommend the Village contact the Ohio Department of Job and Family Services to determine if a refund of these monies or a future credit can be received for these unemployment charges.

Client Response:

All relevant information has been turned over to the Jackson County Prosecuting Attorney, and the Ohio Department of Jobs and Family Services has been contacted.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-004

Noncompliance Finding – Material Weakness

Ohio Rev. Code Section 149.351(A) requires that all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under Section 149.38 to 149.42 of the Ohio Revised Code.

During 2005, 100% of the payroll tax remittances found did not have supporting documentation for payments. The only evidence of payment was check stubs containing the date, payment amount and payee information. Per review of 2005 voucher packets, no evidence was found for remaining payroll tax remittances for 2005. This could lead to incorrect amounts remitted for taxes. This could also cause the Village to incur penalties for late payments or proper amounts of taxes not remitted.

During 2005, fifty-four percent of duplicate receipts and supporting documentation relating to cemetery lot sales and openings/closings could not be located. This could result in discrepancies as to amounts paid to or still due to the Village.

During 2005, thirty-six percent of Enterprise Fund disbursements, thirty-one percent of General Fund disbursements, and eighteen percent of Special Revenue Fund disbursements tested had no supporting documentation. Fifteen percent of General Fund disbursements tested could not be determined to be for a proper public purpose due to lack of supporting documentation. Twelve percent of Special Revenue Fund disbursements tested could not be determined whether paid from an appropriate fund due to lack of supporting documentation. This resulted in the inability to determine whether expenditures were appropriate/allowable.

During 2006, fourteen percent of General Fund disbursements, and fifty-one percent of Special Revenue Fund disbursements tested had no supporting documentation. Twenty-eight percent of Special Revenue disbursements tested could not be determined to be for a proper public purpose or paid from an appropriate fund due to lack of supporting documentation. This resulted in the inability to determine whether expenditures were appropriate/allowable.

During 2005, 100% of the utility billing (water) stubs were missing. During 2006 we noted 33% of the utility trial balance reports were missing, which included the months of April, May, June and September. We also noted during 2006 the consumption report for June was missing. This causes an inability to audit these transactions.

We recommend the Village require all supporting documentation to be maintained in order for the Village to ensure that all expenditures are accurate and appropriate.

Client Response:

Village Council is in the process of adopting Ohio Historical Society recommendations for the record retention policy in the Village.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-005

Noncompliance Finding – Significant Deficiency

Ohio Rev. Code Section 705.27 states that the treasurer and such other officers or employees of the Village, as the Village Council directs, shall give a bond to the Village for the faithful performance of their duties, in such sum as the Village Council fixes by ordinance or resolution. Premiums on official bonds may be paid by the Village.

Village Council has not defined who should be bonded based on their duties. Employee dishonesty insurance coverage was carried by the Village; however, actual position bonds were not obtained. This could result in the Village not carrying adequate insurance to cover losses.

We recommend Village Council pass an ordinance which defines what positions within the Village are required to be bonded and set the amounts of the bonds which they deem reasonable for each position. We also recommend the Village work with the insurance agent to verify that the bonds are paid timely and are in effect for all positions required.

Client Response:

Village Council will pass an ordinance to define bonding requirements.

FINDING NUMBER 2006-006

Noncompliance Finding – Material Weakness

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Budgetary expenditures exceeded legally adopted appropriations at December 31, 2005 in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 57,127	\$ 111,410	\$(54,283)
CIB (Sales Tax)	13,699	17,563	(3,864)
Fire	5,424	14,088	(8,664)
Water	65,098	92,969	(27,871)
Sewer	30,067	51,976	(21,909)
Sewer RP	9,443	18,165	(8,722)
Glen Roy Project	0	45,111	(45,111)
Trash	19,097	42,693	(23,596)
Deposits	1,958	27,393	(25,435)

VILLAGE OF COALTON
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-006 (Continued)

Noncompliance Finding – Material Weakness – Ohio Rev. Code Section 5705.41(B) (Continued)

Budgetary expenditures exceeded legally adopted appropriations at December 31, 2006 in the following funds:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,959	\$ 88,525	\$ (21,566)
Fire	18,790	23,743	(4,953)
Housing Rehab	0	80	(80)
FEMA	0	443	(443)
Sewer	40,274	46,189	(5,915)
Trash	25,585	27,828	(2,243)
Project	0	13,372	(13,372)
Sewer CCR	14,799	23,678	(8,879)

This could lead to deficit fund balances.

We recommend the Village Fiscal Officer not certify the availability of funds or approve payment requests exceeding appropriations. The Village Fiscal Officer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources if necessary.

Client Response:

The Village has no excuse for not properly tracking appropriations in 2005. In 2006, an updated appropriation resolution was introduced to Council and passed. For whatever reason, the documentation was not on file at the County Auditor's office. It is the Village's responsibility to make certain this happens and it will be done in the future.

FINDING NUMBER 2006-007

Noncompliance Finding – Material Weakness

Ohio Rev. 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.

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.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007 (Continued)

Noncompliance Finding – Material Weakness – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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 Council can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve 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 Council.

2. Blanket Certificate – Fiscal officers 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 current 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.

One hundred percent of the transactions tested during 2006 and 2005 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds has resulted in overspending funds and can result in negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer 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.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007 (Continued)

Noncompliance Finding – Material Weakness – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Client Response:

The Village, through the use of the UAN system, presently uses the encumbrance method of accounting and will continue to do so. This requires the purchase orders be written and properly authorized by the Village Clerk and Council.

FINDING NUMBER 2006-008

Noncompliance Finding – Material Weakness

Ohio Admin. Code Section 117-2-02(D) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction. As well as month-to-date and year-to-date balances.
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Village did not maintain a receipts ledger or appropriation ledger. In 2007, the Village entered information for its financial activity into the UAN system for 2006. This results in the inability to monitor budget vs. actual information.

We recommend the Village maintain a receipts and appropriation ledger.

Client Response:

The Village, in 2005 and 2006, was not on UAN. The Village is currently on UAN, up-to-date, and properly utilizing the system. Proper utilization of the UAN system allows the Village to maintain all required ledgers accurately, and to date, and allows for the Village Clerk to file with Village Council monthly and yearly budget versus actual information so Council can monitor all Village financial activity.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	A Finding for Recovery for public money due but not collected was issued against Ronnie Baisden in the amount of \$523.09 for garbage services received but not paid for.	No	Not Corrected: The Village has not taken any action on this matter.
2004-002	A Finding for Recovery was issued against former Mayor Marvin Bates under Ohio Rev. Code Section 2749.091 (A)(1) for the Mayor's Court not increasing court costs from \$11 to \$15 during 2003. The Mayor's Court should have collected an addition \$120 due to the State.	No	Not Corrected: The Village has not taken any action on this matter.
2004-003	A Finding for Recovery was issued against the Village Police Chief for payroll overpayment.	No	Not Corrected: The Village has not taken any action on this matter.
2004-004	A Finding for Recovery was issued against former Village Maintenance Technician for payroll overpayment.	No	Not Corrected: The Village has not taken any action on this matter.
2004-005	A Finding for Recovery was issued against the former Utility Clerk for payroll overpayment.	No	Not Corrected: The Village has not taken any action on this matter.
2004-006	A Finding for Recovery was issued against the former Mayor's Court Clerk for payroll overpayment.	No	Not Corrected: The Village has not taken any action on this matter.
2004-007	A material citation was issued under Ohio Rev. Code Section 145.47 for the Village not remitting all required PERS contributions and reports not being filed in a timely manner.	No	Partially Corrected: During 2006, contributions were remitted with appropriate supporting documentation on file.
2004-008	A material citation was issued under Ohio Rev. Code Section 742.32 for the Village not remitting all required Ohio Police & Fire Pension Fund contributions.	No	Partially Corrected: During 2006, contributions were remitted with appropriate supporting documentation on file.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-009	A material citation was issued under 26 U.S.C. Sections 3102(a) and 3101(b) and Ohio Attorney General Opinion 88-021 for withholding amounts from employees' wages, however, no indication or documentation that Medicare amounts were remitted to the Internal Revenue Service.	No	Partially Corrected: During 2006, supporting documentation existed indicating Medicare was appropriately remitted.
2004-010	A material citation was issued under 26 U.S.C. Section 3402(a)(1) for withholding federal taxes from employee's and elected officials' wages, however, no indication or documentation that the amounts withheld were remitted.	No	Partially Corrected: During 2006, supporting documentation existed indicating federal taxes were appropriately remitted.
2004-011	A material citation was issued under Ohio Rev. Code Section 4123.38 for unpaid obligations for the Bureau of Workers' Compensation.	No	Partially Corrected: During 2006, supporting documentation existed indicating payments were appropriately made.
2004-012	A material citation was issued under Ohio Rev. Code Section 4141.20(B) for no indication the Village had filed required reports or made required payments to the Ohio Department of Job and Family Services	No	Partially Corrected: During 2006, supporting documentation existed indicating required reports and payments were made.
2004-013	A material citation was issued under Ohio Rev. Code Sections 5747.07(B)(4) and 5747.07(E)(2) for not remitting state income taxes.	No	Partially Corrected: During 2006, supporting documentation existed indicating required payments were made.
2004-014	A material citation and material weakness was issued under Ohio Rev. Code Section 9.38 for not depositing monies timely.	No	Not Corrected: Reissued in the current audit Management Letter.
2004-015	A material citation and material weakness was issued under Ohio Rev. Code Section 117-2-02(D) for not maintaining a Receipt or Appropriation Ledger.	No	Not Corrected: Reissued in the current audit as Finding Number 2006-008.
2004-016	A material citation and material weakness was issued under Ohio Rev. Code Section 149.351(A) for lack of supporting documentation for expenditures.	No	Not Corrected: Reissued in the current audit as Finding Number 2006-004.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-017	A material citation was issued under Ohio Rev. Code Section 705.27 for lack of public officials' bonds.	No	Not Corrected: Reissued in the current audit as Finding Number 2006-005.
2004-018	A material citation was issued under Ohio Rev. Code Section 5705.10 for significant negative fund balances.	Yes	N/A
2004-019	A material citation was issued under Ohio Rev. Code Section 5705.36(A)(2) for not obtaining reduced amended certificate of estimated resources.	No	Not Corrected: Reissued in the current audit Management Letter.
2004-020	A material citation and material weakness was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Not Corrected: Reissued in the current audit as Finding Number 2006-006.
2004-021	A material citation and material weakness was issued under Ohio Rev. Code Section 5705.41(D)(1) for 100% of transactions not being encumbered.	No	Not Corrected: Reissued in the current audit as Finding Number 2006-007.
2004-022	A material weakness was issued for checks being written and issued by employees other than the Village Clerk	Yes	N/A
2004-023	A material weakness was issued for documentation related to payroll expenditures and personnel files	No	Not Corrected: Reissued in the current audit Management Letter.
2004-024	A reportable condition was issued under Ohio Rev. Code Section 703.20 regarding surrendering corporate powers and not following the Village's Financial Plan	Yes	N/A
2004-025	A Finding for Recovery was issued for public money illegally expended due to payments made to vendors which were unable to be determined were valid, payments to vendors which were endorsed and/or cashed by employees, etc.	No	Not Corrected: The Village has not taken any action on this matter.
2004-026	A Finding for Recovery was issued for public monies due but not collected for a rehabilitation loan	No	Not Corrected: The Village has not taken any action on this matter.

**VILLAGE OF COALTON
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-027	A Finding for Recovery was issued for monies illegally expended for cell phone usage.	No	Not Corrected: The Village has not taken any action on this matter.



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
JANUARY 31, 2008**