



Dave Yost • Auditor of State



VILLAGE OF NASHVILLE  
HOLMES COUNTY

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# Dave Yost • Auditor of State

Village of Nashville  
Holmes County  
P.O. Box 417  
Nashville, Ohio 44661

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 opinion 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 20, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Nashville  
Holmes County  
P.O. Box 417  
Nashville, Ohio 44661

To the Village Council:

We have audited the accompanying financial statements of Village of Nashville, Holmes County, Ohio, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 noted below, 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

In addition, we were unable to obtain sufficient evidence to support a 2010 insurance reimbursement in the Special Revenue Street Construction, Maintenance and Repair Fund and 2010 garage sale receipts in the General Fund recorded as Miscellaneous Receipts totaling \$1,500 (10% of Special Revenue cash receipts) and \$497 (1% of General Fund cash receipts), respectively.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting Miscellaneous Receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Nashville, Holmes County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Nashville adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2012, 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.



**Dave Yost**  
Auditor of State

August 20, 2012



VILLAGE OF NASHVILLE  
HOLMES COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$2,395		\$2,395
Intergovernmental	28,277	\$16,260	44,537
Fines, Licenses and Permits	11,605		11,605
Miscellaneous	17,225		17,225
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,502	16,260	75,762
<b>Cash Disbursements:</b>			
Current:	15,671		15,671
Security of Persons and Property	753		753
Transportation		11,997	11,997
General Government	31,509		31,509
Debt Service:	3,765		3,765
Redemption of Principal	10,212		10,212
Interest and Fiscal Charges	1,198		1,198
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	63,108	11,997	75,105
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(3,606)	4,263	657
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-Out	(28,000)		(28,000)
Other Financing Uses - Sale of Assets	21,255		21,255
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(6,745)	0	(6,745)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(10,351)	4,263	(6,088)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	36,011	10,855	46,866
<b>Fund Cash Balances, December 31</b>			
Restricted		15,118	15,118
Committed	11,410		11,410
Unassigned	14,250		14,250
<i>Fund Cash Balance, December 31</i>	<hr/>	<hr/>	<hr/>
	<u>\$25,660</u>	<u>\$15,118</u>	<u>\$40,778</u>

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

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$20,500		\$20,500
Licenses, Fees & Permits		\$4,165	4,165
Total Operating Cash Receipts	<u>20,500</u>	<u>4,165</u>	<u>24,665</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	771		771
Employee Fringe Benefits	119		119
Contractual Services	13,979		13,979
Supplies and Materials	2,732		2,732
Amounts Due to Village		2,527	2,527
Total Operating Cash Disbursements	<u>17,601</u>	<u>2,527</u>	<u>20,128</u>
Operating Income/(Loss)	<u>2,899</u>	<u>1,638</u>	<u>4,537</u>
Transfers-In	28,000		28,000
Net Change in Fund Cash Balances	30,899	1,638	28,000
Fund Cash Balances, January 1	<u>(28,559)</u>	<u>0</u>	<u>(28,559)</u>
<i>Fund Cash Balance, December 31</i>	<u>\$2,340</u>	<u>\$1,638</u>	<u>\$3,978</u>

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

VILLAGE OF NASHVILLE  
HOLMES COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$1,611		\$1,611
Intergovernmental	27,816	\$11,608	39,424
Charges for Services	1,433		1,433
Licenses, Fees & Permits	7,566		7,566
Miscellaneous	1,705	3,037	4,742
	<u>40,131</u>	<u>14,645</u>	<u>54,776</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	14,505		14,505
Public Health Services	628		628
Transportation		11,861	11,861
General Government	19,429		19,429
Debt Service:			
Redemption of Principal	10,675		10,675
Interest and Fiscal Charges	735		735
	<u>45,972</u>	<u>11,861</u>	<u>57,833</u>
Total Cash Disbursements	<u>45,972</u>	<u>11,861</u>	<u>57,833</u>
Total Receipts Over/(Under) Disbursements	<u>(5,841)</u>	<u>2,784</u>	<u>(3,057)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Advances-In	4,680	2,780	7,460
Advances-Out	(4,680)	(2,780)	(7,460)
	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,841)	2,784	(3,057)
Fund Cash Balances, January 1	<u>17,000</u>	<u>2,500</u>	<u>19,500</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$11,159</u></b>	<b><u>\$5,284</u></b>	<b><u>\$16,443</u></b>

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

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$18,731
Total Operating Cash Receipts	18,731
<b>Operating Cash Disbursements:</b>	
Personal Services	757
Employee Fringe Benefits	340
Contractual Services	17,652
Supplies and Materials	1,443
Total Operating Cash Disbursements	20,192
Operating Income/(Loss)	(1,461)
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(1,461)
Advances-In	1,900
Advances-Out	(1,900)
Net Receipts Over/(Under) Disbursements	(1,461)
Fund Cash Balances, January 1	3,325
<b>Fund Cash Balances, December 31</b>	<b>\$1,864</b>

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

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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 Nashville, Holmes County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities and police services,

The Village participates in the Western Holmes Fire District, a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 9 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:  
Western Holmes Fire District

Public Entity Risk Pool:  
Public Entities Pool of Ohio (PEP)

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

**B. Accounting Basis**

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. Deposits and Investments**

All cash is maintained in a pooled checking account.

**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 NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(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 tax money for constructing, maintaining, and repairing Village streets.

State Highway – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing the state highway that runs through the Village.

**3. Enterprise Fund**

This fund accounts for a water service operation that is similar to a private business enterprise, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

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

**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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into three classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**2. Committed**

Village Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**3. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2011 and 2010 was as follows:

	2011	2010
Demand deposits	\$43,103	\$18,307

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

Note: The 2011 balance does not reconcile to the financial statements by \$1,653. This is because the financial statements were adjusted to reflect 2011 Mayor's Court receipts that were collected but not recorded or deposited as of December 31, 2011.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,678	\$80,757	\$35,079
Special Revenue	13,313	16,260	2,947
Enterprise	18,452	48,500	30,048
Total	\$77,443	\$145,517	\$68,074

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,024	\$91,108	(\$45,084)
Special Revenue	13,615	11,997	1,618
Enterprise	19,690	17,601	2,089
Total	\$79,329	\$120,706	(\$41,377)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,278	\$40,131	\$3,853
Special Revenue	13,313	14,645	1,332
Enterprise	18,452	18,731	279
Total	\$68,043	\$73,507	\$5,464



**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$45,972	(\$45,972)
Special Revenue	0	11,861	(11,861)
Enterprise	0	20,192	(20,192)
Total	\$0	\$78,025	(\$78,025)

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General Fund by \$45,084 for the year ended December 31, 2011; in the General Fund by \$45,972; in the Special Revenue Fund by \$11,861; and in the Enterprise Fund by \$20,192 for the year ended December 31, 2010.

Contrary to Ohio Revised Code Section 5705.38, permanent appropriations were not approved for 2010.

Contrary to Ohio Revised Code Section 5705.10 (D), the Village did not initially establish and Agency Fund to account for the Mayor's Court activity.

**4. Property Tax**

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.

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

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Promissory Notes - Truck	\$16,543	5%
Promissory Notes - Street Paving	2,025	5%
Total	\$18,568	

The Notes relate to the purchase of equipment and paving of Village streets. The Village makes monthly payments of \$581 and \$370. The Village refinanced a note in 2009. The new note is for 60 months, due June 30, 2014 at a 5% interest rate. The debt is collateralized by the equipment.

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Debt (Continued)**

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

2012	\$6,974	\$2,054
2013	6,974	0
2014	3,480	0
Total	\$17,428	\$2,054

**6. Retirement Systems**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**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. 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, 2010, 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, 2010 and 2009 (the latest information available):

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management (Continued)**

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Government's share of these unpaid claims collectible in future years is approximately \$4,000.

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>2011</u>	<u>2010</u>
\$4,628	\$4,230

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.

**8. Related Party Transactions**

A Village Council member's grandson contracted with the Village to perform water testing services during 2010 and 2011. In 2010, the Village paid \$697 in employee compensation and \$803 in contracted services and in 2011, the Village paid \$2,012 for contracted services to this individual.

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**9. Jointly Governed Organizations**

**Western Holmes Fire District**

The Western Holmes Fire District is a jointly governed organization, created as political subdivision pursuant to state statute. The Western Holmes Fire District has five board members, consisting of a representative from the subdivisions it serves: Village of Nashville, Washington Township, Ripley Township, and Knox Township. An additional member at large is appointed by the Board of Trustees. The District provides fire protection and rescue services within the District and by contract to areas outside the District. There is no cost associated with being a member of this fire district. The continued existence of the Western Holmes Fire District is not dependent on the Village's continued participation and no equity interest exists. During 2010 and 2011, no monies were paid to the Western Holmes Fire District.

The Village does not retain an ongoing financial interest or an ongoing financial responsibility with this organization.

**10. Subsequent Events**

In March 2012, Village Council voted to discontinue the Mayor's Court.



# Dave Yost • 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 Nashville  
Holmes County  
P. O. 417  
Nashville, Ohio 44661

To the Village Council:

We have audited the financial statements of Village of Nashville, Holmes County (the Village) as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated August 20, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and our opinion was qualified due to the lack of sufficient, appropriate evidential matter for the amounts reported as an insurance reimbursement for the Special Revenue Street Construction, Maintenance and Repair Fund and garage sale receipts in the General Fund. We also noted 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 Government 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 § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. Except as noted in the first sentence, 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*. Also, during 2011, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### **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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-003, 2011-007, 2011-010 and 2011-011 described in the accompanying Schedule of Findings to be material weaknesses.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-001 through 2011-010.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 20, 2012.

The Villages 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, Village Council, and others within the Village. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 20, 2012

VILLAGE OF NASHVILLE  
HOLMES COUNTY  
  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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1. **Ohio Rev. Code Section 2921.42(A)(1)**

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE

**Ohio Rev. Code Section 2921.42(A)(1)** states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest. **Ohio Rev. Code Section 102.03(D) and (E)** prohibit public officials and employees from using or authorizing the use of their public positions to secure employment, or employment-related benefits for their family members. **Ohio Ethics Commission Advisory Op. No. 2010-03** concluded that "public officials and employees cannot: (a) hire or use their positions to secure employment for their family members; (b) recommend or nominate their family members for public jobs with their own, or any other, public agencies; or (c) give to their family members, or solicit or use their positions to secure for their family members, raises, promotions, job advancements, overtime pay or assignments, favorable performance evaluations, or any other things of value related to their employment.

Village Council member Elda Messner is the Grandmother of Chad Messner. During 2010, Mr. Messner was paid \$697 as employee compensation and \$803 as a contractor for water testing services. Additionally, in 2011, Mr. Messner was paid \$2,012 as a contractor for water testing services. Upon review of the 2011 and 2010 minutes, Mrs. Messner did not abstain from approving these payments. As a result, there is an increased risk that transactions occurred between Village Council and Chad Messner that directly benefited Chad Messner and were of a manner that could be considered "less than an arm's length" transactions.

Village Council Member Messner should abstain from approving any transactions with Chad Messner as evidenced in the minutes. This will help reduce the risk that transactions between Mr. Messner and the Village are "less than an arm's length" in fact and appearance.

This matter will be referred to the Ohio Ethics Commission for whatever action deemed necessary.

**Official's Response:** Mr. Messner is no longer contracted with the Village of Nashville and Mrs. Messner is no longer on council. But in the future I will make sure any related parties abstain from voting on contracts and payments.

2. **Ohio Rev. Code Section 5705.41(B)**

*Finding Number - 2011-002*

NONCOMPLIANCE

**Ohio Rev. Code Section 5705.41(B)** requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Upon review of the 2010 minutes, evidence did not exist to support Village Council approved the Annual Appropriation Measure. As a result, annual appropriations for all funds would be \$0. Expenditures exceeded appropriations in the General Fund, Street Construction & Repair Fund, State Highway Fund and Water Utility Fund by \$45,972, \$9,864, \$1,997 and \$20,192, respectively.

**2. Ohio Rev. Code Section 5705.41(B) (Continued)**

During 2011, expenditures exceeded appropriations within the General Fund in various accounts ranging from \$7 to \$11,811; in the Street Construction and Repair Fund in various accounts ranging from \$75 to \$1,623; and in the Enterprise Fund in various accounts ranging from \$11 to \$771.

The Fiscal Officer should ensure Annual Appropriations are approved by Village Council as well as frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level to avoid overspending. In addition, the Fiscal Officer should periodically review the Village's Appropriations Reports to help ensure appropriation amounts are posted accurately and timely.

**Official's Response:** In the future, I will make sure I have appropriated adequate funds before expending.

**3. Ohio Rev. Code Section 149.351**

*Finding Number - 2011-003*

NONCOMPLIANCE/MATERIAL WEAKNESS

**Ohio Rev. Code Section 149.351** states in part that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by Ohio Rev. Code Sections 149.38 through 149.42.

During testing of certain Miscellaneous Revenue receipts, it was discovered the Village did not maintain nor provide supporting documentation for an insurance reimbursement totaling \$1,500 in the Special Revenue Fund or a garage sale receipts totaling \$497 in the General Fund for 2010. Lack of supporting documentation could allow errors and irregularities to occur and go undetected for an extended period of time. As a result, the risk of that these or similar receipts could go unaccounted is increased.

Also, the Village was unable to locate a voucher package for check #2666 dated October 4, 2010, 2011 W'2s and 1099 MISC forms.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location. The Village should ensure all records are adequately safeguarded, complete and accurate. Disposal of records should only be made in accordance with an approved records retention schedule. This will help ensure records are not lost or destroyed and ensure errors or irregularities are detected timely and financial statements are complete and accurate. Also, because records did not exist to support the amounts reported for an insurance reimbursement and garage sale receipts, the Village's financial statement opinion was qualified.

**Official's Response:** I was not fiscal officer for 2010; therefore, I cannot comment.



**4. Ohio Admin. Code Section 117-2-02 (D)(4)(b)**

*Finding Number - 2011-004*

NONCOMPLIANCE

**Ohio Admin. Code Section 117-2-02 (D)(4)(b)** requires that the Village maintain utility billing records including (1) Master file of service addresses, account numbers, billing addresses, types of services provided and billing rates; (2) accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount; and (3) cash receipts records, recording each received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

Additionally, during testing of Water Utilities, we noted that policies do not exist for: write-off of bad debts, water-shut off policy, policy regarding the assessment of late payment fees, and a no-bill policy. The lack of these policies could result in revenues not being properly collected and policies not being applied consistently to all utility customers.

The following conditions were noted: The Village could not provide utility information such as: a listing of residents who had water service terminated for non-payment; a customer adjustment report; monitoring report of customers accounts not being billed or not properly disconnected; delinquent listing; duplicate receipt books for 2010 or 2011, and permanent and traceable customer numbers.

The Village should maintain an accounting system and accounting records as set forth in Ohio Admin. Code Section 117-2-02. The Village should ensure policies are applied consistently to all utility customers. Additionally, the Village Council needs to review account delinquencies. If there are delinquencies found that are not probable of collection, then those delinquencies need to be written-off pursuant to Village policy. The Village should additionally consider establishing a policy to address the assessment of late fees. This will help ensure the Village properly collects water revenue.

While inadequate utility documentation was not maintained, alternative audit procedures were performed to gain assurances over water utilities.

**Official's Response:** No comment.

**5. Ohio Rev. Code Section 5705.38**

*Finding Number* - 2011-005

NONCOMPLIANCE

**Ohio Rev. Code Section 5705.38** requires that on or about the first day of each fiscal year, an appropriation measure be passed. Village Council may pass a temporary appropriation measure to meet their ordinary expenses until April 1, at which time a permanent appropriation measure must be passed. During 2010, no annual appropriations were adopted by Village Council as evidenced in the minutes.

The Village should adopt a permanent appropriation measure by April 1 each year. Additionally, the Fiscal Officer should frequently compare actual expenditures to appropriations to avoid overspending. Lastly, appropriations for 2010 for all funds were adjusted to \$0.

**Official's Response:** I was not fiscal officer in 2010; therefore, no comment.

**6. Ohio Rev. Code Section 5705.41 (D)**

*Finding Number* - 2011-006

NONCOMPLIANCE

**Ohio Rev. Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 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 Township.

## 6. Ohio Rev. Code Section 5705.41 (D) – (Continued)

*Finding Number - 2011-006*

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. In 2011, the Village utilized blanket certificates; however, Village Council did not establish the maximum amount for these blankets. 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.

During 2011 and 2010, 14 of the 38 (37%) expenditures tested were not certified by the Fiscal Officer prior to incurring the obligation. For some of these expenditures, the dollar amount exceeded \$3,000 and a “then and now” certificate was attached; however, there was no Village Council resolution as required. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

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 disbursement 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.

The Fiscal Officer should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The Fiscal Officer should also sign the certification prior to the Village incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Additionally, Village Council should approve all “Then and Now” transactions exceeding \$3,000 by resolution and establish a maximum amount for blanket certificates.

**Official’s Response:** I was not the fiscal officer in 2010; therefore, I cannot comment. In 2011, I used then & now purchase orders; however, I did not know that any expenditure over \$3,000 needed board approval. Therefore, in the future I will have board approval for expenditures over \$3,000.

**7. Ohio Rev. Code Sections 733.40, 2743.70 (A)(1) and 2949.091 (A)(1)**

*Finding Number - 2011-007*

**NONCOMPLIANCE/MATERIAL WEAKNESS**

**Ohio Rev. Code Section 733.40** provides that the Mayor shall account for and dispose of all such fines, forfeitures, fees, and costs collected. All moneys collected shall be paid by the Mayor into the Village on the first Monday of each month. Also, at the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

**Ohio Rev. Code Section 2743.70 (A)(1)** states in part that, "The court, in which any person is convicted of or pleads guilty to any offense that is not a moving violation, shall impose the following sum as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender; (a) Thirty dollars, if the offense is a felony; (b) Nine dollars, if the offense is a misdemeanor...All such moneys shall be transmitted on the first business day of each month by the clerk of court to the Treasurer of State and deposited by the Treasurer in the reparations fund."

**Ohio Rev. Code Section 2949.091 (A)(1)** states in part, "The court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of court to the treasurer of state and deposited by the treasurer of state into the general revenue fund."

During 2011, we noted the following conditions:

- The Mayor and/or his designee did not provide Village Council with itemized statements disclosing from whom the money was received, for what purposes received or when paid into the treasury as noted in the Minute review.
- An individual check to pay a fine totaling \$94 was not deposited because of insufficient funds. The same individual wrote another check for the same amount; however, the check was improperly completed by the payer. Evidence does not exist that the Village attempted to collect this amount.
- Deposits of \$1,652 from the Mayor's Court dating from November 10, 2011 to December 27, 2011 were not deposited until January 10, 2012. Delays of this nature could cause daily receipts to be lost or misplaced without being detected in a timely manner.
- An "Open Items" listing was not maintained to document outstanding bonds, fines, and court costs to be distributed.
- The Mayor's Court did not distribute fines and court costs to the Treasurer of State in 2011 of \$1,638 by the first business day of the month for reparation fines, or to the Treasurer of State by the 20th of the month. No distributions were made to the State of Ohio for fines collected between September and December 2011.

As a result, there is an increased risk that Mayor's Court monies could be misappropriated without being detected timely.

**7. Ohio Rev. Code Sections 733.40, 2743.70 (A)(1) and 2949.091 (A)(1) – (Continued)**

*Finding Number - 2011-007*

The Mayor should submit an itemized statement to Village Council which details the aforementioned requirements. To ensure accurate reports are presented to Village Council, we make the following recommendations to the Mayor and/or his designee:

- A reconciliation of tickets paid to the outstanding items list should be performed to help determine whether fines, court costs, and bonds received were deposited and distributed. This reconciliation should reconcile to fines, court costs, and bonds not distributed per the "Open Items" list.
- For returned/not deposited checks, confirm the Court has made attempts to collect fines and court costs due from the defendants in a timely manner.
- Fine disbursements should be reviewed to ensure amounts due to the Treasurer of State and the Village were remitted and no unrelated disbursements were made.
- Fines and court costs collected should be distributed to the Treasurer of State in accordance with the aforementioned Ohio Revised Code Sections. During the reconciliation review, the Mayor or his designee should verify that the distributions occurred.

This will help reduce the risk that Mayor's Court monies are not misappropriated.

The financial statements have been adjusted to reflect the Mayor's Court activity in an Agency Fund. The deposit totaling \$1,652 as reported above was also adjusted and reflected in the 2011 Agency Fund financial activity.

**Official's Response:** The village is no longer holding Mayor's court and we will do all the adjustments that have been recommended.

**8. Ohio Rev. Code Section 1905.033**

*Finding Number -2011-008*

NONCOMPLIANCE

**Ohio Rev. Code Section 1905.033 (B) (1) and (2)** states that, "The mayor of any municipal corporation who conducts a mayor's court shall make the following reports: (1) a report to the supreme court of all cases filed in the mayor's court and of the cases that are pending and terminated in that court, and any financial, dispositional, and other information that the supreme court prescribes by rule. The mayor shall make the report under division (B)(1) of this section on a form prescribed by the supreme court and not later than the fifteenth day of January, April, and October of each year. The report shall cover all cases filed, pending, and terminated in the mayor's court for the calendar quarter preceding the appropriate filing date. (2) A report to the bureau of criminal and investigation of every conviction in the mayor's court for an offense that is a misdemeanor on a first offense and a felony on any subsequent offense. The mayor shall make the report under division (B)(2) of this section upon entry judgment of conviction for the offense.

During 2011, the Mayor's Court did not submit the reports to the supreme court or the bureau of criminal and investigation for misdemeanors or subsequent offenses. The Mayor should submit reports to the supreme court and to the bureau of criminal and investigation which details the aforementioned requirements.

**Official's Response:** We are currently working on getting all reports and fines sent to the respected offices.

**9. Ohio Rev. Code Sections 1905.01 (F) and 1907.20 (B)**

*Finding Number - 2011-009*

NONCOMPLIANCE

**Ohio Rev. Code Section 1905.01 (F)** states, "In keeping a docket and files, the mayor, and a mayor's court magistrate appointed under section 1905.05 of the Revised Code, shall be governed by the laws pertaining to county courts." **Ohio Rev. Code Section 1907.20 (B)** regarding general provisions of county court administration states, in pertinent part, "The clerk shall file and safely keep all journals, records, books and papers belonging or appertaining to the court, record its proceedings, perform all other duties that the judges of the court may prescribe, and keep a book showing all receipts and disbursements, which shall be open for public inspection at all times."

The Mayor's Court was unable to provide an appearance docket, master case listing and a cash book documenting the mayor's court receipts and expenditures. As a result, the Mayor's Court was unable to provide documentation supporting the defendant's charge, the Court's verdict, whether fines, court costs and bonds collected were deposited. The unavailable documentation also prevented accurate calculation of amounts due to the Village and State for fines and court costs collected for 2011.

The Mayor's Court should maintain appearance dockets, ticket packets and cashbooks to document Mayor's Court proceedings, and the collection and disbursement of fines, court costs, and bonds. This will help ensure compliance with the Ohio Revised Code as well as reduce the risk that monies could be misappropriated.

**Official's Response:** We are no longer having Mayor's court.

**10. Ohio Rev. Code Section 1905.21 - Finding for Adjustment**

*Finding Number - 2011-010*

NONCOMPLIANCE/MATERIAL WEAKNESS

**Ohio Rev. Code Section 5705.10 (D)** states that except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Except as otherwise provided by resolution adopted pursuant to section 3315.01 of the Revised Code or as otherwise provided by section 3315.40 of the Revised Code, all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

**Ohio Rev. Code Section 1905.21**, states in part that "... (a) mayor's court magistrate shall account for all such fines, forfeitures, and costs he collects and transfer them to the mayor. The mayor shall account for and dispose of all such fines, forfeitures, fees, and costs he collects, including all such fines, forfeitures, fees, and costs that are transferred to him by a mayor's court magistrate, as provided in section 733.40 of the Revised Code."

**10. Ohio Rev. Code Section 1905.21 - Finding for Adjustment (Continued)**

*Finding Number - 2011-010*

During 2011, the Mayor's Court collected and subsequently deposited \$2,513 from fines and fees and posted the amount in the General Fund. Also, an additional \$1,652 was collected in 2011 but retained in a vault and not deposited into the Mayor's Court bank account until 2012. The \$1,652 was not recorded in any fund of the Village. Since a portion of fines and fees collected by the Mayor's Court are not entitled to be retained by the Village, the Village should have utilized an agency fund to record all deposits and appropriate remittances to the Treasurer of State for reparation fines and Village General Fund.

The Village should establish an Agency Fund to record all Mayor's Court receipt and expenditure activity. This will help ensure the Village maintains accountability over Mayor's Court financial activity as well as help reduce the risk of misappropriation.

The Village has adjusted the financial statements accordingly.

**Official's Response:** We will adjust our records as recommended.

**11. Budgetary Posting**

*Finding Number - 2011-011*

MATERIAL WEAKNESS

Appropriations and estimated revenues as approved by Village Council did not always reconcile to the amounts input into the Village's computer system at year-end for the following funds:

2010 Appropriations:	<u>Fund</u>	<u>Amount</u>
	General Fund	(\$36,028)
	Street Construction & Repair Fund	(\$10,878)
	State Highway Fund	(\$ 2,435)
	Water Utility Fund	(\$18,452)
2011 Appropriations	General Fund	(\$20,393)
	Street Construction & Repair Fund	(\$1,915)
	Water Utility Fund	(\$771)
2010 Estimated Revenue:	General Fund	\$250
2011 Estimated Revenue:	General Fund	(\$11,610)

As a result, Village Council does not always receive complete and accurate budget versus actual information. Therefore, they are not able to properly monitor appropriations and estimated revenues versus actual expenditures and revenues.

## 11. Budgetary Posting (Continued)

*Finding Number - 2011-011*

The Village Fiscal Officer should ensure approved appropriations and estimated receipts are accurately updated in the budgetary system. This will help ensure the Fiscal Officer and Village Council have complete and accurate budgetary information to make sound financial decisions.

The budgetary amounts were adjusted to reflect the approved appropriations and estimated receipts.

**Official's Response:** In the future, I will make sure that the appropriations approved are what is entered into the system.



**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2009-001	<b>Ohio Admin. Code Section 117-2-02</b> Maintenance of accounting system and accounting records.	No	Partially Corrected – See Schedule of Findings.
2009-002	<b>Ohio Rev. Code Section 117.38</b> Filing of Annual Financial Reports	No	Partially Corrected. See Management Letter.
2009-003	<b>Ohio Rev. Code Section 145.47</b> Proper remittance of PERS payments.	Yes	Corrected
2009-004	<b>Ohio Rev. Code Section 731.12</b> Interest in a contract by a Village Official	Yes	Finding No Longer Valid.
2009-005	<b>Ohio Rev. Code Section 733.27</b> Complete and accurate record of proceedings of the Village Council at meetings	No	Partially Corrected. See Management Letter.
2009-006	<b>Ohio Rev. Code Section 5705.10</b> Fund Deficits.	Yes	Corrected
2009-007	<b>Ohio Rev. Code Section 5705.36</b> Certification of beginning balances to County Auditor.	No	Partially Corrected. See Management Letter.
2009-008	<b>Ohio Rev. Code Section 5705.39</b> Appropriations not exceeding total estimated revenues.	Yes	Corrected
2009-009	<b>Ohio Rev. Code Section 5705.41(B)</b> Expenditures exceeding Appropriations.	No	Partially Corrected. See Schedule of Findings.
2009-010	<b>Ohio Rev. Code Section 149.351(A)</b> Destruction of public records.	No	Not corrected. See Schedule of Findings.

**VILLAGE OF NASHVILLE  
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

2009-011	<b>26 U.S.C. Section 3402 and Ohio Revised Code Section 5747.06</b> Proper remittance of employee tax withholdings	Yes	Corrected
2009-012	<b>Material Weakness -</b> Posting of receipts and expenditures.	Yes	Corrected
2009-013	<b>Material Weakness –</b> Monitoring of Water Accounts	No	Not Corrected. See Schedule of Findings.
2009-014	<b>Material Weakness –</b> Cash reconciliation	Yes	Corrected
2009-015	<b>Material Weakness –</b> Warrants signed only by Fiscal Officer	Yes	Corrected
2009-016	<b>Material Weakness –</b> Debt activity appearing on financial statements and approvals.	Yes	Corrected
2009-017	<b>Material Weakness –</b> Voided warrants.	Yes	Corrected
2009-018	<b>Material Weakness –</b> Complete voucher package.	No	Partially Corrected. See Schedule of Findings.



# Dave Yost • Auditor of State

VILLAGE OF NASHVILLE

HOLMES 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  
SEPTEMBER 13, 2012