



**Auditor of State
Betty Montgomery**

VILLAGE OF COOLVILLE
ATHENS COUNTY

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**Auditor of State
Betty Montgomery**

Village of Coolville
Athens County
P.O. Box 64
Coolville, Ohio 45723

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 a February 2, 2005 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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

April 7, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Coolville
Athens County
P.O. Box 64
Coolville, Ohio 45723

To the Village Council:

We have audited the accompanying financial statements of the Village of Coolville, Athens County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. We believe our audit provides a reasonable basis for our opinion. The Village processes its financial transactions using 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* permit 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.

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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. 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 governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 fourth following paragraph.

The Village did not provide sufficient records, documents and evidential matter to support the completeness of the water receipts, sewer surcharge receipts and street lighting assessment receipts. The water and sewer surcharge receipts represent 100% of the Enterprise Fund receipts and the street lighting assessment receipts represent 5% of the Special Revenue Funds receipts for 2005. The water and sewer surcharge receipts represent 100% of the Enterprise Fund receipts and the street lighting assessment receipts represent 5% of the Special Revenue Funds receipts for 2004.

The accompanying financial statements present receipts and disbursements by fund type only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

In our opinion, because of the effects of the matters discussed in the third and fourth paragraphs above, the financial statements referred to above for the years ended December 31, 2005 and 2004 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, 2005 and 2004, or its changes in financial position for the year then ended.

Also, in our opinion, except for the effect of such adjustments, if any, as might have been necessary had we been able to examine the evidence regarding the water, sewer surcharge and street lighting assessment receipts for 2005 and 2004 and for the omission of receipt and disbursement classifications for 2004 and 2005, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Coolville, Athens County, Ohio, as of December 31, 2005 and 2004, and its unclassified cash receipts and unclassified cash disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. 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 April 7, 2006, 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.



Betty Montgomery
Auditor of State

April 7, 2006

VILLAGE OF COOLVILLE
ATHENS COUNTY

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Funds:</u>	<u>Balance 1/1/2005</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2005</u>
General Fund	\$ (22,968)	\$ 60,186	\$ 41,714	\$ (4,496)
Special Revenue Funds:				
Street Construction, Maintenance and Repair	24,691	39,041	51,149	12,583
State Highway Improvement	1,603	1,106		2,709
State Grants	0	0	0	0
FEMA	0	0	0	0
Street Lighting	(1,796)	3,482	6,940	(5,254)
Street Levy	30,116	25,308	481	54,943
Total Special Revenue Funds	54,614	68,937	58,570	64,981
Enterprise Funds:				
Water	2,737	104,644	89,525	17,856
Sewer Improvement Project	37,525	170,125	154,911	52,739
Total Enterprise Funds	40,262	274,769	244,436	70,595
Agency Fund:				
Mayor's Court	1,730	0	0	1,730
Total All Funds	\$ 73,638	\$ 403,892	\$ 344,720	\$ 132,810

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

VILLAGE OF COOLVILLE
ATHENS COUNTY

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Funds:</u>	<u>Balance 1/1/2004</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2004</u>
General Fund	\$ (6,488)	\$ 42,326	\$ 58,806	\$ (22,968)
Special Revenue Funds:				
Street Construction, Maintenance and Repair	4,718	81,517	61,544	24,691
State Highway Improvement	683	943	23	1,603
State Grants	0			0
FEMA	0	26,333	26,333	0
Street Lighting	(765)	6,192	7,223	(1,796)
Street Levy	<u>16,386</u>	<u>14,228</u>	<u>498</u>	<u>30,116</u>
Total Special Revenue Funds	21,022	129,213	95,621	54,614
Enterprise Funds:				
Water	(4,586)	97,122	89,799	2,737
Sewer Improvement Project	<u>7,490</u>	<u>31,296</u>	<u>1,261</u>	<u>37,525</u>
Total Enterprise Funds	<u>2,904</u>	<u>128,418</u>	<u>91,060</u>	<u>40,262</u>
Agency Fund:				
Mayor's Court	<u>1,730</u>	<u>0</u>	<u>0</u>	<u>1,730</u>
Total All Funds	<u>\$ 19,168</u>	<u>\$ 299,957</u>	<u>\$ 245,487</u>	<u>\$ 73,638</u>

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

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 Coolville, Athens County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, street and state highway maintenance, and water and street lighting services.

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

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. This basis 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).

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village maintains an interest-bearing checking account and a certificate of deposit, valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources 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 to construct, maintain and repair Village Streets.

VILLAGE OF COOLVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

FEMA Fund – This fund receives federal and state grant monies to repair Village streets damaged from natural disasters.

Street Levy Fund - This fund receives property tax money for constructing, maintaining and repairing Village streets.

3. Enterprise Fund

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 Improvement Project Fund – This fund receives loan proceeds from the Ohio Water Development Authority to finance the engineering and planning of a sanitary sewer system in the Village. A utility surcharge recorded in this fund will repay this loan.

4. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Agency Fund:

Mayor's Court Fund – This fund accounts for the financial activity of the Mayor's Court.

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 level of control and appropriations may not exceed estimated resources. 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 COOLVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. A separate account exists for Mayor's Court activity. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 follows:

	2005	2004
Demand Deposits	\$ 100,810	\$ 73,638
Certificate of Deposit	32,000	
Total Deposits	\$ 132,810	\$ 73,638

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation. \$966 of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 27,400	\$ 60,186	\$ 32,786
Special Revenue	9,600	68,937	59,337
Enterprise	85,000	274,769	189,769
Total	\$ 122,000	\$ 403,892	\$ 281,892

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,150	\$ 41,714	\$ 14,436
Special Revenue	48,666	58,570	(9,904)
Enterprise	109,841	244,436	(134,595)
Total	\$ 214,657	\$ 344,720	\$ (130,063)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 49,494	\$ 42,326	\$ (7,168)
Special Revenue	48,545	119,213	70,668
Enterprise	80,730	113,418	32,688
Total	\$ 178,769	\$ 274,957	\$ 96,188

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 50,000	\$ 33,806	\$ 16,194
Special Revenue	21,272	95,621	(74,349)
Enterprise	80,000	91,060	(11,060)
Total	\$ 151,272	\$ 220,487	\$ (69,215)

The budgetary receipts and expenditures do not reconcile to the unclassified financial statements because those financial statements include advances that were not budgeted by the Village.

Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Street Lighting Fund, Water Fund, and Sewer Improvement Project Fund in 2005, contrary to Ohio law. Expenditures exceeded appropriations in the Street Construction, Maintenance and Repair Fund, Street Levy Fund, Water Fund and Sewer Improvement Project Fund in 2004, also contrary to Ohio law.

Appropriations exceeded estimated resources in the Street Construction, Maintenance and Repair Fund in 2005 and in the General Fund, Street Construction, Maintenance and Repair Fund, and Street Lighting Fund in 2004, contrary to Ohio law.

The Village Council adopted temporary appropriations for 2004 on February 10, 2004, and the permanent appropriations on April 15, 2004. The minutes were not detailed regarding the Council's approval of the temporary appropriations for 2005, which was filed with the County Auditor on January 24, 2005. The 2005 permanent appropriations were not adopted. Accordingly, the spending authority granted by the 2005 temporary appropriations expired on April 1, 2005. These actions were contrary to Ohio law.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

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, 2005 was as follows:

	Principal	Interest
Street Repair Commercial Loan	\$ 40,522	2.70%
Campbell Street Slip Commercial Loan	24,365	2.80%
Ohio Water Development Authority Loan 3597	6,002	5.65%
Ohio Water Development Authority Loan 3889	129,877	5.28%
Total	\$ 194,764	

The commercial loans were obtained to provide financing for the paving and repair of various Village streets. The various street funds are being used to repay this debt.

The commercial loan for the Campbell Street slip was obtained to repair damages caused by flooding. FEMA funds will be used to repay this debt, to be received in 2006.

The Ohio Water Development Authority (OWDA) loans relate to funding to install a sewer system in the Village. A sewer surcharge has been assessed to Village residents to repay these loans.

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

	Street Repair Commercial Loan	Campbell Street Slip Repair Loan	OWDA Loan 3597	OWDA Loan 3889
Year Ending December 31:				
2006	\$ 10,824	\$ 25,047	\$ 1,411	\$ 30,321
2007	10,824		1,411	30,321
2008	10,824		1,411	30,321
2009	10,824		1,411	30,321
2010			1,411	30,321
Total	\$ 43,296	\$ 25,047	\$ 7,055	\$ 151,605

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. RETIREMENT SYSTEM

The Village's Clerk and part-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits. One part-time employee and the Village's elected officials are members of Social Security.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village had overpaid OPERS \$2,599 as of December 31, 2005.

7. SOCIAL BENEFIT PLAN

One part-time employee and the elected officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004, these officials contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2005. The Village has outstanding contributions to the Internal Revenue Service of \$2,098 as of December 31, 2005.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. OUTSTANDING ADVANCES

Unpaid, interfund cash advances at December 31, 2005 were as follows:

<u>Fund Type/Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 43,080	\$ 6,000
Special Revenue:		
Street Construction, Maintenance and Repair	18	17,750
State Highway Improvement	1,000	
Street Levy	3,000	3,500
State Grants	6,000	
Street Lighting		1,350
Enterprise:		
Water	200	24,698
Total - All Funds	<u>\$ 53,298</u>	<u>\$ 53,298</u>

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

10. DEFICIT FUND BALANCES

The Village had deficit fund balances of \$4,496 in the General Fund and \$5,254 in the Street Lighting Fund as of December 31, 2005. The deficit fund balances were the result of audit adjustments made to the Village's books.

11. OUTSTANDING OBLIGATIONS

As of December 31, 2005, the Village owed the Treasurer of State \$7,542 for outstanding fees for the use of the Uniform Accounting Network (UAN). These fees would be payable from the Village's General Fund.

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**Auditor of State
Betty Montgomery**

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

Village of Coolville
Athens County
P.O. Box 64
Coolville, Ohio 45723

To the Village Council:

We have audited the financial statements of the Village of Coolville, Athens County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 7, 2006, 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 wherein we qualified our report because the Village did not provide sufficient records, documents and evidential matter to support the completeness of the 2005 and 2004 water, sewer surcharge and street lighting assessment receipts and which was also qualified since the Village did not classify receipts and disbursements for its 2005 and 2004 financial statements. We also noted that 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 regarding the water, sewer surcharge, and street lighting assessment receipts, 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-002, and 2005-008 to 2005-011.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider items 2005-002, 2005-010 and 2005-011 to be material weaknesses. In a separate letter to the Village's management dated April 7, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 2005-001 to 2005-007. In a separate letter to the Village's management dated April 7, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 7, 2006

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 requires all cash basis entities to file annual reports with the Auditor of State within 60 days of the fiscal year end.

The Village did not file its 2005 or 2004 annual report with the Auditor of State by the stated deadline.

We recommend the Village file its annual report with the Auditor of State within sixty days of year end.

FINDING NUMBER 2005-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise disposed of, in whole or in part, except as provided by law or under the rules adopted by the Records Commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code.

During our testing, we noted the following:

- 55% of the 2005 meter readings were unavailable for audit and 10% of the 2004 meter readings were unavailable for audit. Also, we noted that 100% of the 2004 billing registers were unavailable for audit and 100% of the 2004 payment registers were unavailable for audit. This resulted in our inability to audit the Water Department cash receipts for 2005 and 2004, due to a lack of sufficient evidential matter.
- During 2004 and 2005, street light assessment receipts were lumped together with weekly water sale postings and included in the Water Fund. We were unable to determine the actual revenue for the street light assessment because the billing and payment register were not kept. This complicated the audit process and we were unable to adequately test the Street Light Assessments.
- During 2004 and 2005, adequate supporting documentation was not available to verify monthly sewer surcharge receipts, posted to the Sewer Improvement Fund. This complicated the audit process and we were unable to adequately test monthly sewer surcharge revenue.

We recommend the Village retain all records supporting financial transactions, including annual street light assessment payments and billing and payment registers for the monthly sewer surcharge, until such time that the Village Records Commission approves of the destruction of said records.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1 of the current year, and the appropriations made therein shall be chargeable to the appropriations in the annual appropriations measure for that fiscal year. Also, Ohio Rev. Code Section 5705.41(B) prohibits a subdivision from expending money unless it has been appropriated.

The Council adopted the 2004 temporary appropriation measure on February 10, 2004; however, the 2004 permanent appropriation measure was not adopted until April 15, 2004. The minutes were not detailed as to the Council's approval of the 2005 temporary appropriation measure, which was filed with the County Auditor on January 24, 2005. The Council did not pass a permanent appropriation measure for 2005. Although a temporary appropriation measure was filed with the County Auditor in 2005, the spending authority created by this measure expired on April 1 of 2005.

This resulted in expenditures exceeding appropriations in every fund for the period January 1, 2004 through February 10, 2004. In the absence of a permanent appropriation measure, Council and management lose the ability to regulate the Village's spending, which could result in deficit spending.

We recommend the Village Council adopt a permanent appropriation measure by April 1. If the need to postpone the passage of a permanent appropriations measure exists, then a temporary appropriations measure can be passed on or about January 1 for the period January 1 to March 31.

FINDING NUMBER 2005-004

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources at December 31, 2005, in the following funds:

Fund	Budgeted Resources	Appropriation Authority	Variance
Street Construction, Maintenance and Repair	\$ 0	\$ 23,839	\$ (23,839)

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-004 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.39 (Continued)

Appropriations exceeded estimated resources at December 31, 2004, in the following funds:

Fund	Budgeted Resources	Appropriation Authority	Variance
General	\$ 47,189	\$ 50,000	\$ (2,811)
Street Construction, Maintenance and Repair	9,194	12,988	(3,794)
Street Lighting	7,646	8,035	(389)

This could result in expenditures exceeding available fund balances.

We recommend the Village monitor its appropriations and estimated resources to ensure that appropriations do not exceed estimated resources at the end of the year.

FINDING NUMBER 2005-005

Noncompliance Citation

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

We found expenditures exceeded appropriations at the legal level of control at December 31, 2005, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Street Construction, Maintenance and Repair	\$ 23,839	\$ 51,149	\$ (27,310)
Street Lighting	3,973	6,940	(2,967)
Water	58,566	89,525	(30,959)
Sewer Improvement Project	51,274	154,911	(103,637)

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-005 (Continued)

Noncompliance Citation (Continued)

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

We found expenditures exceeded appropriations at the legal level of control at December 31, 2004, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
Street Construction, Maintenance and Repair	\$ 12,988	\$ 61,543	\$ (48,555)
Street Lighting	0	498	(498)
Water	80,000	89,799	(9,799)
Sewer Improvement Project	0	1,261	(1,261)

This could result in the Village spending more money than is available to spend.

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2005-006

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract had 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.

Although this Section required the Village to encumber funds prior to a purchase commitment, the Village only prepared purchase orders for 2004 in order to initiate a disbursement transaction using the UAN system. The purchase orders were not used for the intended purpose of setting aside or reserving an appropriation. Purchase orders were not used at all for 2005. This could lead to obligations being entered into when there are not sufficient funds available to cover the transaction.

We recommend the Village use encumbrance accounting and prepare purchase orders before an obligation is entered into.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-007

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method if resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and Auditor of State Bulletin 97-003 states that inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include a specific statement that the transaction is an advance of cash, and an indication of the money (fund) from which it is expected that repayment will be made.

None of the advances made during 2004 were approved by Village Council.

We recommend the Village review Auditor of State Bulletin 97-003 and advance funds in accordance with the Bulletin. We further recommend the Village Council approve any and all advances.

FINDING NUMBER 2005-008

Reportable Condition – Monitoring of Financial Activity

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk performed all accounting functions, including receipting, depositing, disbursing, and reconciling. While Council approved all vouchers for payment and sporadically received monthly fund balances, there was no documentation of the extent to which Council reviewed the information to monitor the financial activity of the Village. The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-008 (Continued)

Reportable Condition – Monitoring of Financial Activity (Continued)

We recommend the Village Council function as an audit committee to monitor financial activity closely and to follow up on any audit findings. The Village Council should carefully review and approve pertinent financial information such as the : 1) Cash Journal, 2) Budgeted vs. Actual Receipts Report, 3) Budgeted vs. Actual Expenditures Report, 4) Outstanding Debt Summary, 5) Investment Journal, 6) Transaction Log and 7) Reconciliations, on a monthly basis. Documentation of such reviews can be included within the Council minute record and/or initial and date the items reviewed. Also, Council should make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures inline with the budget?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?

FINDING NUMBER 2005-009

Reportable Condition – Posting of Estimated Revenue and Appropriations

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The amended certificates of estimated resources issued by the County Budget Commission should be posted correctly to the Village's ledgers. Appropriations approved by the Council should be posted correctly to the Village's ledgers.

Estimated revenue approved by the County Budget Commission and appropriations approved by the Village council were not entered into the Village's ledgers for 2005.

Estimated revenue issued by the Budget Commission in 2004 was not posted correctly as follows:

Fund	Estimated Revenue Approved by Budget Commission	Estimated Revenue Posted to Revenue Ledger	Variance
General	\$ 49,494	\$ 31,750	\$ 17,744
Street Construction, Maintenance and Repair	0	10,255	(10,255)
State Highway	26,028	2,770	23,258
Street Levy	14,482	14,200	282
Street Lighting	8,035	8,000	35
Water	80,730	80,200	530
Sewer Improvement Project	0	32,000	(32,000)

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-009 (Continued)

Reportable Condition – Posting of Estimated Revenue and Appropriations (Continued)

Appropriations approved by the Village Council in 2004 were not posted correctly as follows:

Fund	Appropriations Approved by Village Council	Appropriations Posted to Appropriation Ledger	Variance
General	\$ 50,000	\$ 151,975	\$ (101,975)
Street Construction, Maintenance and Repair	12,988	75,500	(62,512)
State Highway	250	1,000	(750)
State Grants	0	250	(250)
Street Levy	0	14,950	(14,950)
Street Lighting	8,035	15,000	(6,965)
Water	80,000	143,420	(63,420)

We recommend the Village post estimated revenue as issued by the Budget Commission. We also recommend the Village post supplemental appropriations at the amounts approved by the Village Council.

FINDING NUMBER 2005-010

Material Weakness – Recording Village Transactions

When designing the public office's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

In performing the proof of cash for 2004, we encountered the following:

- Six instances where a charge made by the bank was not recorded by the Clerk on the Village's ledgers;
- One check that cleared the bank but was not posted to the Village's ledgers;
- Interest payments from the bank for all of 2004 were not posted to the Village's ledgers;
- Two deposits that were in the bank but were not recorded on the Village's ledgers;
- One check that cleared the bank at a different amount than was recorded on the Village's ledgers;
- Two instances where receipts deposited in the bank were recorded at different amounts than were recorded on the Village's ledgers;
- One check was recorded twice on the Village's ledgers;
- One receipt recorded in the Village's ledgers that was not deposited in the bank;
- Bank reconciliations were not performed for 11 of 12 months in 2004.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-010 (Continued)

Material Weakness – Recording Village Transactions (Continued)

In performing the proof of cash for 2005, we encountered the following:

- Three instances where a charge made by the bank was not recorded by the Clerk on the Village's ledgers;
- Three checks that cleared the bank but were not posted to the Village's ledgers;
- Eleven interest payments from the bank that were not posted to the Village's ledgers;
- Six deposits that was in the bank but was not recorded on the Village's ledgers;
- Three receipts recorded in the Village's ledgers that was not deposited in the bank;
- Bank reconciliations were not performed for any month in 2005.

This caused the Village's ledgers to be inaccurate and difficult to reconcile to the bank. This could also cause suspicions of theft when the Village's ledgers do not reconcile to the bank.

We recommend the Clerk timely post receipts and disbursements at the correct amounts to the Village's ledgers. We also recommend the Clerk ensure the Village's ledgers reconcile to the bank.

FINDING NUMBER 2005-011

Material Weakness – Recordkeeping

Ohio Admin. Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Ohio Admin. Code Section 117-2-02(D) identifies accounting records that can help achieve these objectives, which include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate fund accounts for each type of receipt of each fund.
3. Appropriations ledger, which assembles and classifies disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution.

Ohio Admin. Code Section 117-9-01 provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example).

During the period under audit, the Village recorded their transactions in a manual cashbook, and then later attempted to record these same transactions on the Uniform Accounting Network. The Village Clerk did not review check numbers as they were input into the UAN system. 100% of the 2004 disbursements were entered into the system under the wrong check number. In addition, the Village did not always properly post receipts to the proper fund.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-011 (Continued)

Material Weakness – Recordkeeping (Continued)

During 2004, tangible from state, real estate, personal property tax, manufactured home tax, and manufactured home equivalent tax were posted to the General Fund instead of at gross to the General Fund and Street Levy Fund; real estate was posted at net to the Street Construction, Maintenance and Repair Fund instead of at gross to the Street Levy Fund; one gasoline tax receipt was posted to the General Fund instead of the Street Construction, Maintenance and Repair Fund and the State Highway Fund; twelve 34% district registration receipts were posted to the General Fund instead of the Street Construction, Maintenance and Repair Fund and the State Highway Fund; and FEMA money was posted to the Street Construction, Maintenance and Repair Fund instead of the FEMA Fund.

During 2005, personal property tax, tangible from state, manufactured home tax, manufactured home equivalent tax, real estate and estate tax were posted at net to the General Fund instead of at gross; personal property tax, tangible from state and manufactured home equivalent tax were posted at net to the General Fund instead of at gross to the Street Levy Fund; homestead and rollback and public utility reimbursement were posted to the General Fund instead of the Street Levy Fund; manufactured home tax, personal property tax and real estate were posted at net to the Street Construction, Maintenance and Repair Fund instead of at gross to the Street Levy Fund; manufactured home homestead was posted to the Street Construction, Maintenance and Repair Fund instead of the Street Levy Fund; and all of the 34% district registration receipts and one gasoline cents per gallon receipt were posted to the General Fund instead of the Street Construction, Maintenance and Repair Fund and the State Highway Fund.

In posting these transactions, numerous errors were made in the classification of the receipts and disbursements, to the point that reflecting audit adjustments for this activity would have been consistent with reconstructing the Village's financial records. Although the UAN system generated annual financial reports, these reports were not deemed to be reliable, due to these errors. Consequently, we determined that the presentation of total receipts, total disbursements and fund balances would be more meaningful and more efficient than rebuilding the financial statement presentation and preparing the ledgers to support the transactions.

This could cause errors and/or irregularities to occur and go undetected for an extended period of time which could also result in negative fund balances once adjusted to the proper funds.

We recommend the Village Clerk review the Uniform Accounting Network Chart of Accounts prior to posting revenue, as well as, carefully review each disbursement and the check number related to that disbursement, to ensure that it is properly entered into the UAN system. We further recommend tax settlement receipts be posted in the gross amount and the deductions be posted as disbursements. Furthermore, using the classifications recognized in the Ohio Administrative Code and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, prepare financial records, and prepare annual reports in the format required by the Auditor of State.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken, or Finding No Longer Valid;
2003-001	Findings for recovery were issued against two council persons for overpayment of compensation.	No	Not Corrected.
2003-002	A material citation was issued under Ohio Rev. Code Section 117.38 for failing to file the annual financial report.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-001.
2003-003	A material citation/material weakness was issued under Ohio Rev. Code Section 149.351 for the failure to retain certain supporting documentation for disbursements, street light assessment receipts, sewer surcharge receipts and Water Department cash receipts.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-002.
2003-004	A material citation was issued under Ohio Rev. Code Section 733.40 for failure of the Mayor to submit reports to Council.	No	Finding no Longer Valid: The Mayor's Court ceased to exist in 2003.
2003-005	A material citation was issued under Ohio Rev. Code Section 5705.36 for budgeted resources and actual revenue plus January 1 unencumbered cash being greater than appropriations and actual revenue plus January 1 unencumbered cash.	No	Not Corrected: The issue is no longer as significant and is repeated in the current audit Management Letter.
2003-006	A material citation was issued under Ohio Rev. Code Section 5705.38(A) for failing to adopt or document the adoption of appropriations in a timely manner.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-003.
2003-007	A material citation was issued under Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriation authority.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-005.
2003-008	A material citation was issued under Ohio Rev. Code Section 5705.41(D)(1) for failure to use the encumbrance method of accounting.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-006.

**VILLAGE OF COOLVILLE
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken, or Finding No Longer Valid;
2003-009	A material citation was issued under Ohio Revised Code Section 5705.10 and Auditor of State Bulletin 97-003 for failure to obtain Council approval of advances.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-007.
2003-010	A reportable condition was issued for failure to adequately monitor the financial activity of the Village.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-008.
2003-011	A reportable condition was issued for the improper posting of estimated revenue and appropriations to the accounting system.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-009.
2003-012	A material weakness was issued regarding the proper recording of Village transactions and errors related to the reconciling process.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-010.
2003-013	A material weakness was issued for failing to properly record transactions and posting receipts to the proper fund.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2005-011.



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VILLAGE OF COOLVILLE

ATHENS 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
MAY 25, 2006**