

VILLAGE OF NELLIE
COSHOCTON COUNTY
REGULAR AUDIT
JANUARY 1, 2006 – DECEMBER 31, 2007



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Nellie
117 Main Street
Warsaw, Ohio 43844

We have reviewed the *Independent Auditors' Report* of the Village of Nellie, Coshocton County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 15, 2008

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**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

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INDEPENDENT AUDITORS' REPORT

Village of Nellie
Coshocton County
117 Main Street
Warsaw, Ohio 43844

To the Village Council:

We have audited the accompanying financial statements of the Village of Nellie, Coshocton County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006. 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.

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 requires 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 Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Nellie, Coshocton County as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Nellie, Coshocton County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008, 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.

Wilson, Shuman & Snow, Inc.

March 31, 2008

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 6,011	\$ -	\$ 6,011
Intergovernmental Receipts	8,747	7,669	16,416
Earnings on Investments	19	110	129
	<u>14,777</u>	<u>7,779</u>	<u>22,556</u>
Total Cash Receipts			
	<u>14,777</u>	<u>7,779</u>	<u>22,556</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	550	-	550
Public Health Services	176	-	176
Community Environment	-	1,287	1,287
Basic Utility Services	6,812	918	7,730
Transportation	-	5,900	5,900
General Government	5,495	714	6,209
	<u>13,033</u>	<u>8,819</u>	<u>21,852</u>
Total Cash Disbursements			
	<u>13,033</u>	<u>8,819</u>	<u>21,852</u>
Total Receipts Over/(Under) Disbursements	<u>1,744</u>	<u>(1,040)</u>	<u>704</u>
Fund Cash Balances, January 1	<u>2,077</u>	<u>22,110</u>	<u>24,187</u>
Fund Cash Balances, December 31	<u>\$ 3,821</u>	<u>\$ 21,070</u>	<u>\$ 24,891</u>

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

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 3,753	\$ -	\$ 3,753
Intergovernmental Receipts	10,538	35,173	45,711
Earnings on Investments	28	101	129
Miscellaneous	-	48	48
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	14,319	35,322	49,641
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	500	-	500
Public Health Services	86	-	86
Community Environment	-	1,380	1,380
Basic Utility Services	6,754	883	7,637
Transportation	-	452	452
General Government	8,064	929	8,993
Capital Outlay	-	27,300	27,300
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	15,404	30,944	46,348
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(1,085)	4,378	3,293
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	3,162	17,732	20,894
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 2,077</u>	<u>\$ 22,110</u>	<u>\$ 24,187</u>

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

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	Proprietary Fund Type	
	2007 Enterprise	2006 Enterprise
Operating Cash Receipts:		
Charges for Services	\$ 1,870	\$ 2,326
Operating Cash Disbursements:		
Contractual Services	790	630
Supplies and Materials	254	389
Capital Outlay	2,023	-
Total Operating Cash Disbursements	3,067	1,019
Net Receipts Over/(Under) Disbursements	(1,197)	1,307
Fund Cash Balances, January 1	1,623	316
Fund Cash Balances, December 31	\$ 426	\$ 1,623

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

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**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Nellie, Coshocton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services and street maintenance and repair. The Village appoints a representative to the Walhounding Valley Fire District which provides fire protection to the Village as well as other participating members. Security of persons and property is provided by the Coshocton County Sheriff's Office.

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

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

C. Cash

The Village maintains all cash in an interest bearing checking account.

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 account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

Community Center Fund - This fund receives charges for services for the rental of the Village's Community Building.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, cash disbursements) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Transactions.

During the course of normal operations, the Village will have transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Advances are temporary loans to other funds which are ultimately going to be repaid. The Village did not have any transfers or advances during 2007 and 2006.

H. Intergovernmental Revenues

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

I. Total Columns on the Financial Statements

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH

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

	2007	2006
Total Demand Deposits	\$25,317	\$25,810

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,853	\$14,777	(\$76)
Special Revenue	4,390	7,779	3,389
Enterprise	1,700	1,870	170
Total	\$20,943	\$24,426	\$3,483

**VILLAGE OF NELLIE
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,930	\$13,033	\$3,897
Special Revenue	26,500	8,819	17,681
Enterprise	3,323	3,067	256
Total	<u>\$46,753</u>	<u>\$24,919</u>	<u>\$21,834</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,344	\$14,319	\$1,975
Special Revenue	4,335	35,322	30,987
Enterprise	2,000	2,326	326
Total	<u>\$18,679</u>	<u>\$51,967</u>	<u>\$33,288</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,497	\$15,404	\$93
Special Revenue	22,068	30,944	(8,876)
Enterprise	2,316	1,019	1,297
Total	<u>\$39,881</u>	<u>\$47,367</u>	<u>(\$7,486)</u>

The Village had expenditures exceeding appropriations contrary to Ohio Revised Code Section 5705.41(B), and did not amend appropriations or certify estimated receipts contrary to Ohio Revised Code Sections 5705.40 and 5705.36, respectively.

The Village did not withhold or remit state and federal income taxes contrary to 26 U.S.C. Section 3402 and Ohio Revised Code Section 5747.06, withhold or remit Medicare taxes contrary to 26 U.S.C. Section 3102(a), withhold or remit Ohio Public Employees Retirement System contributions contrary to Ohio Revised Code Section 145.03, or deposit monies timely contrary to Ohio Revised Code Section 9.38.

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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 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. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Inland Marine; and
- Errors and omissions.

6. CONTINGENT LIABILITIES

The Village is not currently involved in litigation.

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

Village of Nellie
Coshocton County
117 Main Street
Warsaw, Ohio 43844

To the Village Council:

We have audited the financial statements of the Village of Nellie, Coshocton County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated March 31, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-008.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001, 2007-002, and 2007-007 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated March 31, 2008.

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: 2007-001 through 2007-006.

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

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

Wilson, Shuman & Snow, Inc.

March 31, 2008

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office 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 Revised Code Section 5705.36(A)(3) allows subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. The Village did not obtain an amended certificate for the Community Development Block Grant monies paid on-behalf of the Village as explained in the 4th paragraph.

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation. The Village did not amend their appropriations for the on-behalf of expenditures paid as noted in the following paragraph.

The Village was the beneficiary of \$27,300 in Community Development Block Grant monies paid on-behalf of the Village by Coshocton County for paving County Road No. 41. These revenues and expenditures were paid directly to the vendor on-behalf of the Village. The Village did not record these transactions within its accounting system during fiscal year 2006. Adjustments were made to properly present this activity within the accompanying financial statements. This also resulted in a violation of Ohio Revised Code Section 5705.41(B) as this activity was not appropriated by Council. (See Finding No. 2007-002)

We recommend the Village record all revenues and expenditures paid on the Village's behalf within the financial statements. We also recommend the Village review Auditor of State Bulletin 2000-008 which provides guidance concerning account codes to record these transactions.

Officials Response: The Village will properly record and budget for all payments made on-behalf of the Village in future years.

VILLAGE OF NELLIE
COSHOCOTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-002

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. We noted the following funds had expenditures exceeding appropriations at December 31, 2006:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Noncompliance</u>
General Fund – General Government – Examiner Fees	\$3,680	\$3,356	(\$324)
Street Fund – Capital Outlay	27,843	3,000	(24,843)

The Village is expending monies that have not been approved by the Council. This could result in unnecessary purchases or fund deficits.

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary

Officials Response: The Village will monitor appropriations throughout the year to determine the Village is compliant.

FINDING NUMBER 2007-003

26 U.S.C. Section 3402 and Ohio Revised Code Section 5747.06 requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

State and federal income tax were not withheld from the compensation of elected officials of the Village. The Fiscal Officer should withhold state and federal taxes from all officials and should remit the state and federal taxes to the respective agency.

Officials Response: The Village will determine the necessary steps needed to withhold and remit state and federal income taxes from its elected officials.

**VILLAGE OF NELLIE
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-004

26 U.S.C. Section 3102(a) requires employers to withhold social security Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

The Village did not withhold social security Medicare tax from the new officials elected or appointed after April 1, 1986. The Fiscal Officer should deduct Medicare for all officials elected after April 1, 1986 to comply with requirements.

Officials Response: The Village will determine the necessary steps needed to withhold and remit Medicare taxes from its elected officials.

FINDING NUMBER 2007-005

Ohio Revised Code Section 145.03 states that employees eligible for exemption from the Ohio Public Employees Retirement System (OPERS) may choose to be exempt from compulsory membership by signing a written application for exemption within the first month after being employed.

The Village did not withhold OPERS retirement from officials' wages and no evidence was presented to indicate that an exemption application had been approved by the OPERS board. The Village also did not deduct Social Security in place of OPERS in 2007 and 2006. The Village Council should select a retirement system and ensure deductions are remitted by the Fiscal Officer.

Officials Response: The Village will determine the necessary steps needed to withhold and remit retirement contributions for its elected officials.

FINDING NUMBER 2007-006

Ohio Revised Code Section 9.38 states that monies should be deposited with the Village Fiscal Officer or designated depository within 24 hours of collection.

Certain Community Building rental receipts and monies received from the County Auditor were deposited with the Village Fiscal Officer or designated depository in an untimely manner. Delays of this nature could cause Village daily receipts to be lost or misplaced without being detected in a timely manner. The Village should properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amount of daily receipts exceeds \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

Officials Response: The Village will attempt to deposit monies in a more timely manner.

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-007

Financial Reporting – Material Weakness

We noted the following deficiencies regarding the Village’s financial reporting process:

- Estimated receipts were not posted to the manual receipt journal during 2007 and 2006. By not posting estimated receipts, this hinders management’s ability to monitor the progress of expected revenue collections particularly as it relates to the amounts appropriated and also expected spending;
- The Fiscal Officer did not always post receipts and disbursements recorded within the manual cash journal to the manual appropriation or receipt journals. By not properly posting amounts between manual journals, this increases the risk that the underlying financial statements will be incomplete or that amounts are incorrectly posted to the intended fund;
- The Village’s unaudited financial report submitted to the Auditor of State Local Government Services Division was incomplete and contained several errors and omissions; including: 1) The reports were void of specific pages, such as beginning and ending fund balances for all funds; 2) Receipts and expenditures were not properly classified or agreed to the manual appropriation or receipt journals; and 3) Amounts recorded in the unaudited financial report did not foot or cross-foot.
- Audit adjustments agreed to by the client were necessary to properly present the financial statements at December 31, 2007 and 2006. Adjustments included: 1) Properly recording Community Development Block Grant monies paid on-behalf of the Village as described in Finding Number 2007-001; and 2) Recording adjustments for differences associated with the annual financial report submitted for audit and the amounts recorded by the Village within the manual appropriation and receipt journals.

We recommend the Village develop procedures to properly account for and record transactions to ensure the completeness and accuracy of the financial statements at year end.

Officials Response: The Village will review its current procedures over financial reporting and review the annual report prior to submission to the Auditor of State Local Government Services Division.

VILLAGE OF NELLIE
COSHOCTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-008

Bank Reconciliations – Significant Deficiency

The Fiscal Officer reconciles the bank balance to the book balance on a monthly basis by comparing the bank balance to the month-end cash journal fund balances and then identifying any reconciling items. However, formal bank reconciliations are not completed. This increases the possibility that reconciling items would not be identified thus causing unreconciled balances.

The Fiscal Officer needs to complete formal bank reconciliations each month. This will help ease the reconciliation process and may assist in identifying reconciling items and also determine that demand deposits reconcile to the Village's fund balances on a monthly basis.

Officials Response: The Village will review its current reconciliation process and develop procedures accordingly.

**VILLAGE OF NELLIE
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code Section 5705.41(D) states that the Fiscal Officer should certify funds are available prior to incurring the obligation.	Yes	N/A.



Mary Taylor, CPA
Auditor of State

VILLAGE OF NELLIE

COSHOCTON 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 29, 2008**