



Dave Yost • Auditor of State



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

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Village of Nellie, Coshocton County, Ohio (the Village), for the years ended December 31, 2013 and 2012.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 117.11(A). Because our procedures were not designed to opine on the Village's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Village's financial statements, transactions or balances for the years ended December 31, 2013 or 2012.

The Village's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Current Year Observations

1. **Ohio Rev. Code § 5705.10(C)** requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. We noted that property tax reimbursements received from the State in the amounts of \$2,389 and \$2,424 were misidentified as Property Tax Revenue instead of Intergovernmental Revenue in 2013 and 2012, respectively. These receipts were received as reimbursements for Homestead and Rollback deductions on property taxes levied in the General Fund and Garbage Fund. However, these reimbursements were reported in the General Fund and not allocated between the General and Garbage Funds. Of the amounts received, \$1,402 and \$1,427 should have been reported in the Garbage Fund in 2013 and 2012, respectively. In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 5705.10(C), a Finding for Adjustment for public monies incorrectly received is hereby issued against Fund A1, the General Fund, and in favor of Fund B9, the Garbage Fund, in the amount of \$2,829.
2. The Village's small size requires governing board involvement with critical accounting processes (such as the review and approval of all revenue and disbursements) to compensate for the inability to segregate the duties of the accounting function. Currently, Council reviews and approves revenue information each month in aggregate but not in detail. The absence of a review of detailed receipt information may be a significant deficiency in internal accounting control which could possibly result in inaccurate cash balances or even undetected theft. The Village Fiscal Officer should submit monthly cashbook and bank to book reconciliations to the Council for review and approval. This will help Council timely review financial information and compensate for the lack of segregation of duties within the accounting function.

Current Year Observations (Continued):

3. We examined multiple payments made to Council members in 2013. Four Council members were reimbursed their filing fee to run for Council with the Coshocton County Board of Elections. The aggregate amount reimbursed was \$120. Making reimbursements to Council members for election filing costs is a prohibited political activity as governmental funding cannot be used to pay for the political activity of a Village. The Village should cease making reimbursements for filings and all Council members who received a reimbursement should pay the money back to the Village.
4. **26 USC § 3402** and **Ohio Rev. Code § 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. **26 USC § 3102(a)** requires employers to withhold social security Medicare tax from an employee's wages if the employee was hired after April 1, 1986. **Ohio Rev. Code § 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. We noted that no individuals had Federal, State, Medicare or pension withheld from their pay. Additionally, the Village did not pay the employer portion of Medicare or any required pension payment. The Village has identified Council, the Mayor and Fiscal Officer as independent contractors; however, Council and Mayor are elected officials and the Fiscal Officer is an appointed official. Therefore, under Ohio law, they are not independent contractors. The Village should not consider elected and appointed officials to be independent contractors. The Village should withhold and pay all taxes and contributions, accordingly. The Village should review OPERS guidelines to determine employees eligible for OPERS retirement and make the appropriate withholdings and payments. Employees not eligible for OPERS should have Social Security withheld and paid.
5. **Ohio Admin. Code § 117-2-02(C)(1)** requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. However, we noted that the Village did not integrate estimated revenue approved by the Coshocton County Budget Commission into their Receipts Ledger. Additionally, contrary to Ohio Rev. Code § 5705.10, the Village had a negative fund balance of (\$1,497) in Fund B9 – the Garbage Fund. This was due, in part, to the issues noted in item number one above. The Village should integrate all budgetary information into its ledgers. This will help improve the accuracy of information reported and will provide accurate budget versus actual comparisons which will allow management and the Board to make informed financial decisions.

6. **Ohio Rev. Code § 117.38** prescribes the requirements for local government annual financial reporting. Auditor of State Bulletins 2006-02 and 2008-01 provide that annual reports filed with the Auditor of State must be *complete* to avoid the application of a penalty of \$25 per day (\$750 maximum) as permissible under Ohio Rev. Code § 117.38. Complete annual financial reports shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. We noted that the annual Cash Basis Financial Report filed documented a total cash balance of \$52,446 which differed from the Village's Cash Journal balance of \$50,897. This occurred as the Community Center Fund was reported twice within the General Fund and as a Proprietary Fund. The Village should review all financial reports prior to submission to ensure that all reported amounts agree with underlying records, and that all funds are properly classified.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 26, 2014

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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
SEPTEMBER 9, 2014**