



**Auditor of State  
Betty Montgomery**



VILLAGE OF COAL GROVE  
LAWRENCE COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Coal Grove  
Lawrence County  
513 Carlton Davidson Lane  
Coal Grove, Ohio 45638

To the Village Council:

We have audited the accompanying financial statements of the Village of Coal Grove, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Audit Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Audit Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.1(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Coal Grove, Lawrence County, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of management and the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 4, 2004

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$23,940	\$23,639	\$	\$47,579
Municipal Income Tax	178,289	0		178,289
Intergovernmental Receipts	45,052	85,247		130,299
Charges for Services	1,450	0		1,450
Fines, Licenses, and Permits	90,351	1,415		91,766
Earnings on Investments	153	21		174
Miscellaneous	5,508	273		5,781
	<u>344,743</u>	<u>110,595</u>	<u>0</u>	<u>455,338</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	162,009	2,068		164,077
Leisure Time Activities	8,850	92		8,942
Community Environment	1,318	0		1,318
Transportation	2,967	83,558		86,525
General Government	307,813	0		307,813
Capital Outlay	0	8,936	90,825	99,761
	<u>482,957</u>	<u>94,654</u>	<u>90,825</u>	<u>668,436</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(138,214)</u>	<u>15,941</u>	<u>(90,825)</u>	<u>(213,098)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes	140,000			140,000
Sale of Fixed Assets	1,255			1,255
Transfers-In	0	5,098		5,098
Advances-In	23,241			23,241
Transfers-Out	(5,098)			(5,098)
Advances-Out	(26,000)	(9,241)		(35,241)
	<u>133,398</u>	<u>(4,143)</u>	<u>0</u>	<u>129,255</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,816)	11,798	(90,825)	(83,843)
Fund Cash Balances, January 1	12,453	65,897	90,825	169,175
<b>Fund Cash Balances, December 31</b>	<u><u>\$7,637</u></u>	<u><u>\$77,695</u></u>	<u><u>\$0</u></u>	<u><u>\$85,332</u></u>
Reserves for Encumbrances, December 31	<u><u>\$907</u></u>	<u><u>\$1,439</u></u>	<u><u>\$0</u></u>	<u><u>\$2,346</u></u>

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$692,100	\$	\$692,100
Total Operating Cash Receipts	692,100	0	692,100
<b>Operating Cash Disbursements:</b>			
Personal Services	282,850		282,850
Fringe Benefits	205,914		205,914
Contractual Services	135,528		135,528
Supplies and Materials	106,590		106,590
Other	1,572		1,572
Total Operating Cash Disbursements	732,454	0	732,454
Operating Income/(Loss)	(40,354)	0	(40,354)
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	66,255		66,255
Other Non-Operating Receipts	820	90,014	90,834
Total Non-Operating Cash Receipts	67,075	90,014	157,089
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	67,648		67,648
Other Non-Operating Cash Disbursements		90,694	90,694
Total Non-Operating Cash Disbursements	67,648	90,694	158,342
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	(40,927)	(680)	(41,607)
Advances-In	96,000		96,000
Advances-Out	(84,000)		(84,000)
Net Cash Receipts Over/(Under) Cash Disbursements	(28,927)	(680)	(29,607)
Fund Cash Balances, January 1	98,934	7,645	106,579
<b>Fund Cash Balances, December 31</b>	<b>\$70,007</b>	<b>\$6,965</b>	<b>\$76,972</b>
Reserve for Encumbrances, December 31	\$11,028	\$0	\$11,028

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



**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$19,934	\$22,872	\$	\$42,806
Municipal Income Tax	175,022			175,022
Intergovernmental Receipts	52,327	118,108		170,435
Charges for Services	1,522			1,522
Fines, Licenses, and Permits	112,072	1,855		113,927
Earnings on Investments	1,423	140		1,563
Miscellaneous	15,428			15,428
	<u>377,728</u>	<u>142,975</u>	<u>0</u>	<u>520,703</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	192,348	1,000		193,348
Leisure Time Activities	7,784			7,784
Community Environment	1,551			1,551
Basic Utility Services		21,250		21,250
Transportation	4,006	95,683		99,689
General Government	54,623			54,623
Debt Service:				
Principal Payments	150,000			150,000
Interest Payments	3,543			3,543
Capital Outlay	9,250	27,880	59,175	96,305
	<u>423,105</u>	<u>145,813</u>	<u>59,175</u>	<u>628,093</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(45,377)</u>	<u>(2,838)</u>	<u>(59,175)</u>	<u>(107,390)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes			150,000	150,000
Transfers-In	4,229	20,313		24,542
Advances-In	43,154	25,878		69,032
Transfers-Out	(22,313)	(293)	(3,936)	(26,542)
Advances-Out	(75,553)	(43,154)		(118,707)
	<u>(50,483)</u>	<u>2,744</u>	<u>146,064</u>	<u>98,325</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(95,860)	(94)	86,889	(9,065)
Fund Cash Balances, January 1	<u>108,313</u>	<u>65,991</u>	<u>3,936</u>	<u>178,240</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$12,453</b></u>	<u><b>\$65,897</b></u>	<u><b>\$90,825</b></u>	<u><b>\$169,175</b></u>
Reserves for Encumbrances, December 31	<u>\$561</u>	<u>\$875</u>	<u>\$62,140</u>	<u>\$63,576</u>

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$688,565	\$	\$688,565
Miscellaneous	593		593
Total Operating Cash Receipts	<u>689,158</u>	<u>0</u>	<u>689,158</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	258,635		258,635
Fringe Benefits	158,640		158,640
Contractual Services	144,356		144,356
Supplies and Materials	141,044		141,044
Other	923		923
Capital Outlay	453		453
Total Operating Cash Disbursements	<u>704,051</u>	<u>0</u>	<u>704,051</u>
Operating Income/(Loss)	<u>(14,893)</u>	<u>0</u>	<u>(14,893)</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes	50,066		50,066
Special Assessments	1,118		1,118
Other Non-Operating Receipts		112,452	112,452
Total Non-Operating Cash Receipts	<u>51,184</u>	<u>112,452</u>	<u>163,636</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	53,337		53,337
Other Non-Operating Cash Disbursements		115,128	115,128
Total Non-Operating Cash Disbursements	<u>53,337</u>	<u>115,128</u>	<u>168,465</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	(17,046)	(2,676)	(19,722)
Transfers-In	10,000		10,000
Advances-In	69,675		69,675
Transfers-Out	(8,000)		(8,000)
Advances-Out	(20,000)		(20,000)
Net Cash Receipts Over/(Under) Cash Disbursements	34,629	(2,676)	31,953
Fund Cash Balances, January 1	<u>64,305</u>	<u>10,321</u>	<u>74,626</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$98,934</u></b>	<b><u>\$7,645</u></b>	<b><u>\$106,579</u></b>
Reserve for Encumbrances, December 31	<u>\$2,073</u>	<u>\$0</u>	<u>\$2,073</u>

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Coal Grove, Lawrence County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 9 to the financial statements.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Cash and investments are valued at cost.

The Village maintains only one type of investment which is an overnight repurchase agreement with the National City Bank of Columbus. In this agreement, Village funds are withdrawn from the account and invested overnight in U.S. Treasury Notes. Interest on each investment is accrued and credited to each account daily. The amount of interest varies daily.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to 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:

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

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

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

*Street Bond Construction Fund* - This fund receives proceeds of general obligation bonds. The proceeds are being used to purchase street equipment and blacktopping.

**4. Enterprise Funds**

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

*Water Fund* - This fund receives charges for services from residents and surrounding Communities to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**5. Agency Funds**

Agency funds are used to account for resources from which the Village is acting in an agency capacity. The Village had the following significant Agency Fund:

*Mayor's Court Fund* - This fund is used to account for the activities of the Village's 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. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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 statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the cash basis of accounting used by the Village.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 162,304	\$ 46,754
Repurchase agreement	<u>0</u>	<u>229,000</u>
Total deposits and investments	<u>\$ 162,304</u>	<u>\$ 275,754</u>

**Deposits:** Deposits are either (1) insured by Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$499,585	\$509,239	\$9,654
Special Revenue	108,489	115,693	7,204
Capital Projects	0	0	0
Enterprise	814,644	855,175	40,531
Total	\$1,422,718	\$1,480,107	\$57,389

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$505,712	\$514,962	(\$9,250)
Special Revenue	137,485	105,334	32,151
Capital Projects	90,826	90,825	1
Enterprise	913,570	895,130	18,440
Total	\$1,647,593	\$1,606,251	\$41,342

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$413,413	\$425,111	\$11,698
Special Revenue	189,498	189,166	(332)
Capital Projects	150,000	150,000	0
Enterprise	744,161	820,017	75,856
Total	\$1,497,072	\$1,584,294	\$87,222

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$528,221	\$521,532	\$6,689
Special Revenue	218,742	190,135	28,607
Capital Projects	153,936	125,251	28,685
Enterprise	809,560	787,461	22,099
Total	\$1,710,459	\$1,624,379	\$86,080

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half 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.

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. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$310,754	8.26%
Ohio Public Works Commission Loan	7,054	0.00%
Bond Anticipation Note	140,000	2.33%
Special Assesment Bonds	399,500	5.00%
Total	<u>\$857,308</u>	

The Ohio Water Development Authority (OWDA) loan and Special Assessment Bonds relate to various sewer projects. The Ohio Public Works Commission (OPWC) Loan relates to various water projects. The Bond Anticipation Note relates to street improvement projects. All of the debt listed above was collateralized by the full faith, credit, and revenue of the Village.

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

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

Year ending December 31:	OWDA Loan	OPWC Loan	Special Assessment Bonds	Bond Anticipation Note
2004	\$36,250	\$3,527	\$29,575	\$143,430
2005	36,250	3,527	29,595	
2006	36,250		29,590	
2007	36,250		29,660	
2008	36,250		29,600	
2009-2013	163,123		148,205	
2014-2018			148,095	
2019-2023			148,030	
2024-2026			88,900	
Total	<u>\$344,373</u>	<u>\$7,054</u>	<u>\$681,250</u>	<u>\$143,430</u>

In addition to the debt described above, the Village has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2003 was \$ 65,000. The schedule above does not include the defeased debt. Assets accumulated to retire this debt are held by a trustee, and are not included in the assets disclosed in Note 2.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2003, members of Ohio Police and Fire Pension Funds contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5 % of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.



**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31:

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

The Village also provides health insurance and vision coverage to full-time employees through a Private carrier.

**9. DEBT SERVICE TRUSTEED FUNDS**

As disclosed in Note 6, the Village has also defeased Mortgage Revenue Bonds. At December 31, 2003, the custodian held \$85,508 in Village assets to retire these bonds.

**10. SUBSEQUENT EVENTS**

On July 6, 2004, the Board of Trustees approved to renew the Street Improvement Bond Anticipation Note in the amount of \$140,000.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Coal Grove  
Lawrence County  
513 Carlton Davidson Lane  
Coal Grove, Ohio 45638

To the Village Council:

We have audited the accompanying financial statements of the Village of Coal Grove, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated November 4, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Audit Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 4, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. A reportable condition is described in the accompanying Schedule of Findings as item 2003-004.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Village's management in a separate letter dated November 4, 2004.

This report is intended solely for the information and use of management and the Village Council, and is not intended to be, and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

November 4, 2004

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated resources. 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.

However, the following instances were noted where appropriations did exceed estimated resources :

Fund	Date	Estimated Resources	Appropriations	Variance	% Variance
Sewer Repair	As of Dec. 31, 2002	\$271	\$8,853	\$8,582	3,167%
Water Operating	As of Dec. 31, 2002	\$371,518	\$385,314	\$13,976	3.71%
Bond Construction	As of June 30, 2003	\$ 28,665	\$ 90,825	\$62,160	216.63%
State EMA	As of June 30, 2002	\$ 0	\$2,541	\$2,541	Indefinite
OPWC	As of June 30, 2002	\$ 0	\$ 24,675	\$24,675	Indefinite
Boat Dock	As of June 30, 2002	\$ 0	\$ 321,000	\$321,000	Indefinite
Drug Enforcement	As of June 30, 2002	\$1,905	\$3,505	\$1,600	83.99%
Water Operating	As of June 30, 2002	\$ 382,021	\$ 440,398	\$58,377	15.28%
Sewer Operating	As of June 30, 2002	\$307,842	\$337,625	\$29,783	9.67%

We recommend the Village begin to monitor appropriations versus estimated resources prior to adopting or amending appropriations to ensure that they are not expending more that they have appropriated.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

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

However, the following instances were noted where expenditures did exceed appropriations:

Fund	Date	Expenditures + Encumbrances	Appropriations	Variance	% Variance
Boat Dock	Dec. 31, 2003	\$18,177	\$9,000	\$9,177	101.96%
Bond Construction	Dec. 31, 2003	\$ 90,825	\$ 28,685	\$62,140	216.63%
State EMA	June 30, 2002	\$ 23,791	\$ 2,541	\$ 21,250	836.28%
Water Repair	June 30, 2002	\$29,000	\$19,031	\$9,969	52.38%

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-003**

**Finding for Recovery – Repaid Under Audit**

Ohio Rev. Code Section 2949.091 states that the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer of State into the General Revenue Fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

Prior to September 26, 2003 the court costs noted above were \$11; however, they were raised to \$15 as a result of House Bill 95. The Mayor's Court was not aware the court costs had increased so it did not raise the court fee at any time during the audit period.

From September 26, 2003 to December 31, 2003, the Mayor's Court issued 128 tickets for which they only collected the \$11 fee. Based on this, the Mayor's Court should have collected an additional \$512 that is due to the State of Ohio to be deposited by the Treasurer of State into the General Revenue Fund.

In accordance to the foregoing facts and pursuant to the Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery against Mayor Bernard T. McKnight in the amount of \$512 for public monies due but not collected, in favor of the State of Ohio, General Revenue Fund. The finding was paid by the Village of Coal Grove from its General Fund on November 4, 2004 on check number 25243 for \$512.

**FINDING NUMBER 2003-004**

**Reportable Condition**

All Village employees are required to submit time cards detailing hours worked. These timecards are then reviewed and approved by the Village Administrator. Once, approved, employees are paid according to the timecard.

Allegations were brought to the attention of the Auditor of State that a certain employee was not actually working the hours submitted on the employee's timecards. These allegations were supported by preliminary work done on the part of the Village Clerk and by complaints submitted by the residents of the Village during open Council meetings. The specific allegations were that a Village employee was enrolled in and attending college classes during the hours being submitted on the timecards. These concerns were brought to the attention of the Special Investigations Unit of the Auditor's office and a review was done.

From this review, several instances were noted where the employee's class schedule and work schedule did overlap. However, no specific instances could be substantiated due to the fact that several of those classes did not retain attendance records.

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-004 (Continued)**

**Reportable Condition (Continued)**

Although sufficient evidence could not be obtained to support this allegation, we recommend the Village implement increased monitoring of employees and the hours submitted on their time cards. This increased monitoring should help reduce the possibility of employees' submitting timecards for hours they did not work.







**Auditor of State  
Betty Montgomery**

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**VILLAGE OF COAL GROVE**

**LAWRENCE 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  
DECEMBER 7, 2004**