



Dave Yost • Auditor of State

VILLAGE OF COAL GROVE
LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013.....	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	33

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Coal Grove, Lawrence County, Ohio (the Village) as of and for the year ended December 31, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013, or changes in financial position or cash flows thereof for the year then ended.

Basis for Additional Opinion Qualification

Non-payroll disbursements are reported as follows for the year ended December 31, 2013: General Fund in the amount of \$294,615, or 54% of total General Fund disbursements; Special Revenue Funds in the amount of \$76,248, or 60% of total Special Revenue Funds' disbursements; Capital Projects Funds in the amount of \$43,446, or 100% of total Capital Projects Funds' disbursements; and Proprietary Funds in the amount of \$662,177, or 71% of total Proprietary Funds' disbursements. During our auditing procedures, we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as non-payroll disbursements. Due to the amount of errors identified in the prior audit, sampling was determined to be inefficient, and the Village declined to investigate and correct errors before testing. Consequently, we were unable to determine the accuracy of the non-payroll disbursements and whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Coal Grove, Lawrence County as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

December 22, 2014

This page intentionally left blank.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$25,049			\$25,049
Municipal Income Tax	257,917			257,917
Intergovernmental	30,996	131,934		162,930
Special Assessments			88,698	88,698
Charges for Services	1,680			1,680
Fines, Licenses and Permits	282,098	1,951		284,049
Miscellaneous	13,590			13,590
<i>Total Cash Receipts</i>	<u>611,330</u>	<u>133,885</u>	<u>88,698</u>	<u>833,913</u>
Cash Disbursements				
Current:				
Security of Persons and Property	383,669	24,500		408,169
Leisure Time Activities	9,312			9,312
Community Environment	270			270
Transportation		90,556		90,556
General Government	150,381			150,381
Capital Outlay		1,400	43,446	44,846
Debt Service:				
Principal Retirement		10,000		10,000
Interest and Fiscal Charges		682		682
<i>Total Cash Disbursements</i>	<u>543,632</u>	<u>127,138</u>	<u>43,446</u>	<u>714,216</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>67,698</u>	<u>6,747</u>	<u>45,252</u>	<u>119,697</u>
Other Financing Receipts (Disbursements)				
Advances In	14,000	5,000		19,000
Advances Out	(59,000)	(5,000)		(64,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(45,000)</u>	<u>0</u>	<u>0</u>	<u>(45,000)</u>
<i>Net Change in Fund Cash Balances</i>	22,698	6,747	45,252	74,697
<i>Fund Cash Balances, January 1</i>	<u>17,926</u>	<u>50,229</u>	<u>62,461</u>	<u>130,616</u>
Fund Cash Balances, December 31				
Restricted		56,447		56,447
Committed			107,713	107,713
Assigned		529		529
Unassigned (Deficit)	40,624			40,624
<i>Fund Cash Balances, December 31</i>	<u>\$40,624</u>	<u>\$56,976</u>	<u>\$107,713</u>	<u>\$205,313</u>

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

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$834,239		\$834,239
<i>Total Operating Cash Receipts</i>	834,239	0	834,239
Operating Cash Disbursements			
Personal Services	444,548		444,548
Employee Fringe Benefits	135,551		135,551
Contractual Services	193,125		193,125
Supplies and Materials	137,689		137,689
Other	19,364		19,364
<i>Total Operating Cash Disbursements</i>	930,277	0	930,277
<i>Operating Income (Loss)</i>	(96,038)	0	(96,038)
Non-Operating Receipts (Disbursements)			
Intergovernmental	10,530		10,530
Special Assessments	59,347		59,347
Miscellaneous Receipts	13,479		13,479
Capital Outlay	(159)		(159)
Principal Retirement	(35,468)		(35,468)
Interest and Other Fiscal Charges	(22,700)		(22,700)
Other Financing Sources		284,444	284,444
Other Financing Uses		(287,994)	(287,994)
<i>Total Non-Operating Receipts (Disbursements)</i>	25,029	(3,550)	21,479
<i>Income (Loss) before Advances</i>	(71,009)	(3,550)	(74,559)
Advances In	54,000		54,000
Advances Out	(9,000)		(9,000)
<i>Net Change in Fund Cash Balances</i>	(26,009)	(3,550)	(29,559)
<i>Fund Cash Balances, January 1</i>	92,640	20,580	113,220
<i>Fund Cash Balances, December 31</i>	\$66,631	\$17,030	\$83,661

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, 2013**

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 Coal Grove, Lawrence County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village has no investments.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Capital Improvement Fund – This fund receives a user fee that residents pay through utility billings which is used for any capital improvements needed for the Village.

4. 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 Funds:

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

Sewer Fund - This fund receives charges for services from residents and commercial users to cover sewer service costs.

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

VILLAGE OF COAL GROVE
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2013
Demand deposits	<u>\$288,974</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the year ending 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$625,330	\$625,330
Special Revenue	0	138,885	138,885
Capital Projects	0	88,698	88,698
Enterprise	0	971,595	971,595
Total	\$0	\$1,824,508	\$1,824,508

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$602,632	(\$602,632)
Special Revenue	0	132,138	(132,138)
Capital Projects	0	43,446	(43,446)
Enterprise	0	997,604	(997,604)
Total	\$0	\$1,775,820	(\$1,775,820)

Contrary to Ohio law, the Village did not properly encumber. Also, contrary to Ohio law, at December 31, 2013, budgetary expenditures exceeded appropriation authority in the General Fund, Street Fund, State Highway Fund, Federal Fund, Fire Equipment Fund, Capital Improvement Fund, Water Fund, Sewer Fund and Sanitation Fund.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. 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.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1990 Special Assessment Bonds (\$495,000)	\$278,200	5.00%
2010 OWDA Loan #5252 (\$90,956)	78,517	0.00%
2012 OWDA Loan #5824 (\$273,432)	259,837	2.00%
2012 Bond Anticipation Note	20,000	2.25%
Total	<u>\$636,554</u>	

The special assessment bonds were obtained for the purpose of paying the costs of constructing improvement to the Village's wastewater system. Special assessments are being levied for the repayment of this issuance. The full faith, credit and revenue of the Village are pledged for the payment of this issue.

In 2009, the Village began a water system improvement project which included an OWDA loan, totaling \$90,596, and American Recovery Reinvestment Act (ARRA) OWDA principal forgiveness (e.g. grant) monies, totaling \$361,124. In 2009, \$41,866 of loan proceeds were received and posted to the accounting system; however, since the loan was not complete it was not included in the schedule of debt outstanding. In 2010, \$48,730 of loan proceeds were received and posted to the accounting system. This project was completed during 2010 and is, therefore, included in the schedule above. The loan has a 0% interest rate for 30 years. The Village has agreed to set utility rates to cover OWDA debt service requirements.

In 2011, the Village began a water system improvement project which included an OWDA loan, totaling \$452,121. As of January 1, 2013, only \$213,377 of the loan monies had been disbursed by OWDA on behalf of the Village. An additional \$60,055 of the loan monies was disbursed by OWDA on behalf of the Village in 2013 for a total of \$273,432. Due to the fact that not all loan monies were disbursed by OWDA on behalf of the Village by December 31, 2013, a loan amortization schedule has not been finalized by OWDA. However, the Village made a payment totaling \$3,348.02 during 2013. The loan has a 2.0% interest rate for 30 years. The Village has agreed to set utility rates to cover OWDA debt service requirements.

The bond anticipation note originated for \$150,000 for the purchase of a wood chipper, a tractor, and to pave streets in disrepair. All note proceeds have been spent at December 31, 2013. A \$10,000 payment to principal plus the interest is paid each year. The bond anticipation note is backed by the full faith and credit of the Village and matures in 2015.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OWDA Loans	Special Assessment Bonds	Bond Anticipation Note
2014	\$3,020	\$29,610	\$10,450
2015	3,020	29,625	10,225
2016	3,020	29,600	
2017	3,020	148,020	
2018-2022	15,099	177,765	
2023-2027	15,099		
2028-2032	15,099		
2033-2037	15,099		
2038-2040	6,041		
Total	<u>\$78,517</u>	<u>\$414,620</u>	<u>\$20,675</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013, OP&F participants contributed 10% of their wages through June 30, 2013 and 10.75% of their wages beginning July 1, 2013. For 2013, the Village contributed 19.5% of full-time police members' wages. For 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village owed contributions to OP&F for October through December 2013 in the amount of \$5,162 that was not remitted to the agency until February 19, 2014. The Village did not remit OPERS contributions in the amount of \$57,917 as required for the months of July 1, 2013 through December 31, 2013 until February 5, 2014.

8. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

8. Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. Material Noncompliance

The minute book of Village Council did not contain the minutes of all meetings held; minutes were not signed by the Mayor or Village Clerk/Treasurer; and approved resolutions and ordinances were not prepared, filed or maintained in the respective resolution and ordinance books.

The Village Clerk/Treasurer had inaccurate reconciliations as well as inaccurate accounting records and financial statements which resulted in multiple adjustments and reclassifications to the financial statements.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)**

10. Material Noncompliance (Continued)

The Village owed contributions to OP&F for October through December 2013 in the amount of \$5,162 that was not remitted to the agency until February 19, 2014. The Village did not remit OPERS contributions in the amount of \$57,917 as required for the months of July 1, 2013 through December 31, 2013 until February 5, 2014.

Contrary to Ohio Rev. Code § 5705.10(I), the Village had a negative fund balance at June 30, 2013 in the Water Fund (\$61,450).

Temporary appropriations for 2013 were approved by Village Council on January 14, 2013. However, Village Council did not approve permanent appropriations contrary to Ohio Rev. Code § 5705.38(A).

Contrary to Ohio Rev. Code § 5705.39, temporary appropriations for 2013 approved by Village Council on January 14, 2013 were not filed with the County Auditor. Furthermore, Village Council did not approve or file permanent appropriations.

At December 31, 2013, expenditures exceeded appropriations in all funds at December 31, 2013 contrary to Ohio Rev. Code § 5705.41(B).

Contrary to Ohio Rev. Code § 5705.41(D), 100% of disbursements were not properly encumbered due to Village Council not approving permanent appropriations and failure of the Village Clerk/Treasurer to file appropriations with the County Auditor which resulted in unlawful appropriations.

Council minutes indicated that Village Council passed a resolution on November 12, 2012 requiring the Village Clerk/Treasurer to provide management reports on a monthly basis. The Village Clerk/Treasurer failed to provide Village Council with the bills to be paid for the months of January and February 2013. Furthermore, the Village Clerk/Treasurer did not provide management reports to Village Council for any months in 2013.

Pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegal expended may be issued against Brian Bryant in the amount of \$590, and in favor of the Village of Coal Grove Water Fund, in the amount of \$590 due to Mr. Bryant being paid at an incorrect pay rate.

Pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended may be issued against William Eric Spurlock in the amount of \$692, and in favor of the Village of Coal Grove General Fund, in the amount of \$692 due to Mr. Spurlock having been paid for vacation leave when he had a zero leave balance.

11. Subsequent Events

In 2014, the Ohio Public Works Commission awarded the Village a \$300,000 grant and a \$127,000 loan for the purpose of water system improvements. The total cost of the project is \$512,000 with the Village providing matching funds of \$85,000.

The Village owed contributions to OP&F for October through December 2013 in the amount of \$5,162 that was not remitted to the agency until February 19, 2014. The Village did not remit OPERS contributions in the amount of \$57,917 as required for the months of July 1, 2013 through December 31, 2013 until February 5, 2014.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Coal Grove, Lawrence County, Ohio (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2014 wherein we noted that Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as non-payroll disbursements.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Findings 2013-002, 2013-003, 2013-009, and 2013-011 through 2013-012 described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-008 and 2013-010.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 22, 2014

VILLAGE OF COAL GROVE
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code, § 733.27(A) states that the village clerk shall attend all meetings of the legislative authority of the village and keep a record of its proceedings (minutes) and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subject to the inspection of all persons interested. In case of absence of the clerk, such legislative authority shall appoint one of its members to perform the clerk's duties.

Ohio Rev. Code, § 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

During review of the Village minute book, we noted that it did not contain the minutes for the following meetings: February 11 and May 27. This resulted in the lack of permanent documentation of all official actions of the Village Council available to the public. Upon further review of the minutes, it was indicated that minutes were approved by Village Council but were not signed by the Mayor and Village Clerk/Treasurer. Furthermore, upon approval, resolutions and ordinances were not prepared, filed and maintained in the respective resolution and ordinance books. This could result in questions regarding the authenticity of the minutes and the official actions approved by Village Council.

We recommend the minutes, resolutions, and ordinances reflect all official actions of the Village Council in sufficient detail including being signed by the Mayor and Village Clerk/Treasurer after Village Council approval and being made available for public inspection in a timely manner.

FINDING NUMBER 2013-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code, § 733.28, requires the village clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

Ohio Admin. Code § 117-2-02(A) requires public offices to 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. Per Ohio Admin. Code § 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for such transactions to be recorded on this ledger.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

**FINDING NUMBER 2013-002
(Continued)**

The Village lacked management controls to maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions and prepare financial statements as evidenced by the following conditions:

Inaccurate Reconciliations

The Village utilizes the UAN accounting system which provides all of the required journals and ledgers. The UAN software also includes a monthly reconciliation process to assist the Village Clerk/Treasurer in the monthly book to bank reconciliation. However, the monthly reconciliations included in the accounting records were not accurate. The reconciliation at December 31, 2013 included "Other Adjusting Factors" in the amount of \$21,749.11 which were described as "Receipts not in UAN". Proof of cash procedures were performed to identify the adjusting factors. The following items were identified as a result of these procedures:

- April 2013 net deposits in the amount of \$348 were not posted to the accounting system.
- August 2013 IRS Overpayment Refund in the amount of \$14,172 was not posted to the accounting system.
- August 2013 Second Half Real Estate Settlement in the amount of \$15,994 was not posted to the accounting system.
- August 2013 duplicate receipt postings in the amount of \$6,605 were identified which had previously been posted to the accounting system in July 2013.
- November 2013 County Auditor New Auto receipt in the amount of \$1,676 was not posted to the accounting system.
- An August 2013 ACH Deduction in the amount of \$1,683 was not posted to the accounting system.
- Errors totaling (\$1,981) were identified in reviewing procedures performed to correct outstanding check errors identified during prior year audit procedures.
- Other errors and differences were identified totaling (\$108).

In addition to the above adjustments that were made to the financial statements, the outstanding check list at year end was carrying a check in the amount of \$1,189 which had already cleared the bank. In addition, checks in the amount of \$960 and \$213 were identified as being outstanding which were not included on the Village's outstanding check listing.

As a result of these types of errors, the financial statements provided to the Village Council were not accurate.

We recommend the Village Clerk/Treasurer prepare the monthly book-to-bank reconciliation in a timely manner. We also recommend the Village Clerk/Treasurer immediately follow-up on any discrepancies noted in the reconciliation process. This will allow the Village to maintain accurate records which the Village Council can rely on for budgeting and planning purposes. Further, we recommend the Village Clerk/Treasurer make corrections to the outstanding checks in the UAN system so that the outstanding check listing will only include those checks that have not actually cleared the bank.

FINDING NUMBER 2013-002
(Continued)

Inaccurate Accounting Records and Financial Statements

The financial statements had the following errors that required audit adjustment or reclassification:

- An IRS Overpayment allocation receipt in the total amount of \$14,172 was not posted to the accounting system. The fund allocation was estimated as follows: General Fund - \$6,767; Street Fund \$2,031; Water Fund \$5,215; and Sewer Fund \$159.
- Property Tax and related receipts were posted in net amounts instead of gross amounts which resulted in revenues and expenditures being understated. We identified the following understatement: General Fund - \$1,312.
- Numerous instances of revenues being posted to the incorrect fund were identified which included the following:
 - State Fire Marshall Monies in the amount of \$642 were posted to the General Fund instead of the Fire Equipment Fund.
 - County Auditor New Auto Receipts totaling \$7,080 were posted to the General Fund instead of allocated between the State Highway Fund and Street Fund.
- General Fund Income Tax Receipts totaling \$15,389 were improperly allocated among Property Taxes \$10,569 and Miscellaneous Revenues \$4,820.
- General Fund receipts totaling \$7,274 which represented Intergovernmental \$7,117 and Miscellaneous Revenues \$157 were improperly recorded as Property Taxes.
- General Fund receipt in the amount of \$952 which represented Intergovernmental Revenue was improperly recorded as Miscellaneous Revenue.
- General Fund Property Tax receipt in the gross amount of \$11,652 with corresponding expenditures in the amount of \$2,424 were not recorded.
- Duplicate receipt postings were identified which included a General Fund local government receipt in the amount of \$131; Street Construction fund receipts totaling \$5,989; and State Highway fund receipts totaling \$486.
- County Auditor new auto receipts totaling \$1,838 were not recorded which represented \$138 relating to the State Highway Fund and \$1,700 relating to the Street Fund.
- Fire Equipment Fund receipts in the amount of \$24,500 were incorrectly recorded as Transfers In.
- Debt payments were not properly allocated and reported as principal and interest expenditures. We noted the following items:
 - Street Fund Principal \$10,000 and Interest \$682 payments were incorrectly recorded as Transportation expenditures instead of being allocated amount Principal and Interest.
 - Water Fund principal payment in the amount of \$1,510 was reported as personal services.
 - Water Fund principal \$6,797 and interest \$5,378 payments were improperly reported as personal services and supplies and materials.

FINDING NUMBER 2013-002
(Continued)

- Water Fund principal \$3,449 and interest \$2,633 payments were improperly reported as Sewer Fund expenditures.
- Sewer Fund principal \$15,000 and interest \$14,660 payments were improperly reported as personal services expenditures.
- Sewer Fund Special Assessment receipts in gross amount of \$6,912 with corresponding expenditures in the amount of \$145 were not posted to the accounting system.
- Sewer Fund Special Assessment receipts in the amount of \$45,574 were improperly reported as Property Taxes.
- Water Fund (\$10,170) and Sewer Fund (\$360) intergovernmental revenues were improperly reported as charges for services and miscellaneous receipts.
- Payments related to audit costs were made from the Water Fund (\$7,000) and the Sewer Fund (\$11,708) with no justification for how payments were allocated and resulted in an adjustment of the payments to the General Fund General Government expenditures (\$18,708).
- Capital Improvement Fund balance of \$107,713 was misclassified as Restricted instead of Committed.
- There were multiple adjustments identified for Intergovernmental Receipts totaling \$6,534 to increase the General Fund and decrease Street Fund Intergovernmental Receipts by \$2,951 and decrease State Highway Fund Intergovernmental Receipts by \$3,583.
- General Fund Fines, Licenses and Permits totaling \$214 was incorrectly posted to the Street Construction Fund as Intergovernmental Receipts.
- Sewer Operating Fund Special Assessments totaling \$6,861 were improperly posted to the General Fund as Property Taxes.
- Trash Fund Charges for Services totaling \$2,397 were incorrectly posted to the General Fund as Property Taxes.
- Prior audit costs total \$4,000 were improperly paid from the Water Fund (\$2,000) and Sewer Fund (\$2,000) as Personal Services instead of being paid from the General Fund General Government expenditure line item.
- There were checks written prior to 2013 totaling \$5,985 in the General Fund, \$863 in the Street Fund, \$5,794 in the Water Fund, \$4,509 in the Sewer Fund, and \$291 in the Sanitation Fund that were voided in 2013 that resulted in an increase to the above fund balances at January 1, 2013 in the UAN system. Adjustments were made to the respective expenditures line items (i.e. General Fund General Government, Street Fund Transportation, Water Fund Personal Services, Sewer Fund Personal Services, and Sanitation Fund Contractual Services).
- There was \$583 posted to the Water Fund Charges for Services instead of being posted to the Federal Fund as Intergovernmental Revenue.
- Several amounts netting to a total fund balance reduction of \$1,496 for the General Fund.

**FINDING NUMBER 2013-002
(Continued)**

- Error in posting an outstanding check adjustment resulted in a \$1,981 fund balance reduction to the Sewer Fund.

The Village Clerk/Treasurer did not follow the UAN established account codes for all postings. This resulted in audit adjustments and reclassifications to the financial statements as noted above.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the statements and footnotes by the Village Clerk/Treasurer and Village Council to identify and correct errors or omissions.

FINDING NUMBER 2013-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code, § 145.47(B), provides, in part, the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period.

Ohio Public Employees Retirement System (OPERS) payroll reports for the months of July, 2013 through December, 2013 were not submitted within 30 days of month end. In addition, the withholdings (including both the employee and employer share) for the months of July, 2013 through January, 2014, totaling \$66,636 (of which \$57,917 was for 2013), were not remitted until February 5, 2014 via electronic fund transfer. This resulted in expenditures being understated for 2013 and in the Village paying delinquent fees and penalties.

In addition, the Ohio Police and Fire Pension Fund payroll reports for the months of October, November and December 2013 were not remitted within 30 days of month end. Also, the withholdings (including both the employee and employer share) for the months of October through December 2013, totaling \$5,162, were not remitted until February 19, 2014. This resulted in expenditures being understated for 2013.

We recommend the Village Clerk/Treasurer file the required reports when she completes the payroll for the last pay period of the month. This will ensure the Village does not incur unnecessary penalties and interest.

FINDING NUMBER 2013-004

Noncompliance Citation

Ohio Rev. Code § 5705.10(I) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The following fund had negative cash fund balance at June 30, 2013: Water Fund (\$61,450).

**FINDING NUMBER 2013-004
(Continued)**

We recommend the Village Clerk/Treasurer monitor fund balances to ensure that one fund is not used to cover the expenses of another fund.

FINDING NUMBER 2013-005

Noncompliance Citation

Ohio Rev. Code, § 5705.38(A), requires that 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 no later than April 1.

The Village Council approved temporary appropriations for 2013 on January 14, 2013; however, the temporary appropriations were not filed with the County Auditor. Furthermore, the Village Council did not approve permanent appropriations for 2013. This resulted in multiple budgetary violations.

We recommend the Village Council approve permanent appropriations by April 1 each year. We further recommend both temporary and permanent appropriations, and any amendments thereto, be filed with the County Auditor's Office.

FINDING NUMBER 2013-006

Noncompliance Citation

Ohio Rev. Code, § 5705.39, provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is 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.

The Village Council approved temporary appropriations on January 14, 2013; however, those appropriations were not filed with the County Auditor's office. Furthermore, the Village Council did not adopt or file with the County Auditor's Office a permanent appropriation measure for 2013. This resulted in the Village not having an appropriation measure in effect for 2013.

We recommend the Village Clerk/Treasurer file the appropriation measure, as approved by Village Council, with the County Auditor's Office.

FINDING NUMBER 2013-007

Noncompliance Citation

Ohio Rev. Code, § 5705.41(B), prohibits a subdivision or taxing unit from expending money unless it is appropriated.

At December 31, 2013, expenditures exceeded appropriations as follows:

**FINDING NUMBER 2013-007
 (Continued)**

Fund	Appropriations	Expenditures	Dollar Variance
General Fund	\$0	\$602,632	(\$602,632)
Street Fund	\$0	\$ 82,671	(\$ 82,671)
State Highway Fund	\$0	\$ 4,750	(\$ 4,750)
Federal Fund	\$0	\$ 23,111	(\$ 23,111)
Federal Equipment Fund	\$0	\$ 24,500	(\$ 24,500)
Capital Improvement Fund	\$0	\$ 43,446	(\$ 43,446)
Water Fund	\$0	\$599,395	(\$599,395)
Sewer Fund	\$0	\$266,132	(\$266,132)
Sanitation Fund	\$0	\$123,077	(\$123,077)

This could result in overspending if not properly monitored.

We recommend the Village Clerk/Treasurer not approve expenditures unless temporary or permanent appropriations have been approved by the Village Council and filed with the County Auditor.

FINDING NUMBER 2013-008

Noncompliance Citation

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

FINDING NUMBER 2013-008
(Continued)

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

One hundred percent (100%) of disbursements were not properly encumbered due to Village Council not approving permanent appropriations and failure of the Village Clerk/Treasurer to file appropriations with the County Auditor's Office which resulted in unlawful appropriations. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Village Clerk/Treasurer certify that funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village Council approve permanent appropriations and the Village Clerk/Treasurer file appropriations with the County Auditor's Office. We further recommend the Village officials and employees obtain the Village Clerk/Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Village Clerk/Treasurer should sign the certification at the time the Village incurs the commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Village Clerk/Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2013-009

Material Weakness

A budgetary cycle should be in place for all governments. The budgetary process is a plan to coordinate expenditures and resources. The State legislature has adopted laws to control expenditures using tax budgets and appropriations. The Auditor of State believes budgeting, properly used, provides the most important monitoring control a government has. It is impossible to incur a cash deficit if a government complies with the budgetary law. Additionally, the budget is an instrument of public policy. A governing board expresses its desire for using a government's limited resources through its appropriations.

While performing budgetary cycle testing for the Village, it was determined that no budgetary cycle process was in place.

FINDING NUMBER 2013-009
(Continued)

The following items were noted:

- For 2013, there were no budgetary documents filed with the County Auditor's Office;
- Village Council approved a temporary appropriations resolution for 2013; however, it was not filed with the County Auditor's Office. Furthermore, there was no indication in the minutes that Village Council approved a permanent appropriations resolution for 2013. This resulted in 100% of disbursements not being properly encumbered since there were no appropriations certified by the County Auditor.
- Amended appropriation measures were posted to the UAN system but were not approved by Village Council or submitted to the County Auditor's Office. This resulted in the accounting system not matching official activity of the Village.
- There was no 2013 tax budget filed with the County's Auditor's Office in 2012 which resulted in there being no official certificate of estimated resources for 2013.
- Estimated revenues were posted to the UAN system; however, there was no official certificate of estimated resources for 2013. This resulted in the accounting system not matching official activity of the Village.

These items resulted in a failure to follow Ohio Budgetary Law and could lead to cash deficits if it continues.

We recommend the Village Clerk/Treasurer and members of the Village Council review Ohio Revised Code budgetary requirements to become familiar with Ohio budgetary law. We further recommend the Village develop and implement a budgetary cycle that is in compliance with the Ohio Revised Code and begin approving budgetary documents, maintaining copies on file, and filing the budgetary documents with the County Auditor's Office.

FINDING NUMBER 2013-010

Noncompliance Citation

Council minutes indicate that Village Council passed a resolution on November 12, 2012 requiring the Village Clerk/Treasurer to provide management reports on a monthly basis. The management reports are to include the following financial monitoring items: Bank Reconciliation, Fund Status, Appropriation Summary, Fund Summary, Revenue Summary, Payment Summary, and Payroll Register detail report.

The Village Clerk/Treasurer failed to provide Village Council with the bills to be paid for the months of January and February 2013. The Village Clerk/Treasurer did not provide management reports to Village Council for any months in 2013.

This could result in errors and/or irregularities occurring and remaining undetected for an extended period of time. For each regular Village Council meeting, the Village Clerk/Treasurer should follow the resolution approved by Village Council to provide monthly financial reports for Council to review and approve. The Village Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage and monitor the Village's financial position. In addition, this information can help answer questions such as the following:

**FINDING NUMBER 2013-010
(Continued)**

Inquiries Relevant to Overall Village Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Is the Village able to achieve the financial goals as set by the original or amended budgets?
- Are expenditures being spent in accordance with the approved appropriations?
- Is there evidence the Village should amend their appropriations and / or estimated resources?

In order to effectively monitor the financial activity and condition of the Village, we recommend the Village Clerk/Treasurer follow the approved resolution and provide individual financial reports to Village Council prior to the meeting for their review on a monthly basis.

FINDING NUMBER 2013-011

Material Weakness

Sound payroll controls are the responsibility of the Village Clerk/Treasurer and the Village Council and are essential to ensure the accuracy of payments made to employees and to Federal, State and Local agencies as well as to ensure accurate and timely reporting to Federal, State and Local agencies.

As a result of the audit procedures performed, the following payroll process deficiencies were identified:

- Holiday pay rates were entered into the UAN system for some employees at time and a half of the employees' pay rates instead of the employees' regular pay rates since the employees did not work the holiday.
- Hourly overtime rates were not properly calculated for several employees.
- An employee's net amount on the computerized payroll check did not agree to the UAN system.
- W-2s issued for 2013 were not compared back to the UAN system to ensure that wages reported on the W-2s were accurate. There were also several manually voided payroll checks that were never properly voided in the UAN system which resulted in overstatements to the 2013 W-2s for several employees as well as overstated wages reported and overpayments made to the Federal and State agencies, retirement agencies, etc.
- In addition, the leave accrued or taken that was reported on the voided checks was not adjusted in the UAN system since the voids were not actually done in UAN. Also, sick and vacation leave balances were not monitored within the UAN system to ensure that all leave earned and taken was properly calculated.
- Timesheets for supervisors were not always approved by anyone.

**FINDING NUMBER 2013-011
(Continued)**

- Timesheets for employees working in several departments did not identify the fund allocation.
- Timesheets for non-Union employees included rounding by the Village Clerk/Treasurer each day which resulted in the Village Clerk/Treasurer's rounded total differing from the overall timesheet rounded total. The Village should develop a policy for rounding of timesheets.
- Not all timesheets could be located for audit.
- Withholding reports were not submitted timely for Federal and State taxes withheld.
- Retirement reports and withholdings were not timely paid into Ohio Public Employees Retirement System and Ohio Police and Fire Pension Fund which resulted in penalties and interest charges and understated expenditures for 2013.
- The Village did not have a policy for accrual and use of compensatory time and overtime.

The above deficiencies could have resulted in Findings for Recovery for several employees. In addition, inaccurate and untimely reporting of Federal and State taxes, retirement withholdings and inaccurate W-2s could result in fines/penalties and interest not only being assessed to the Village but to employees as well.

We recommend the Village Council adopt policies and procedures, including timely reviews of the UAN payroll accounting system, payroll reports, and payroll checks to identify and correct errors or omissions. We further recommend the Village Council adopt policies and procedures to ensure that withholdings payments and withholding reports are remitted timely.

FINDING NUMBER 2013-012

Material Weakness

Inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. 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 §§ 5705.14 to 5705.16 of the Ohio Rev. Code. Advances, on the other hand, *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 debtor fund may repay advances from the creditor fund. That is, the AOS would not deem repaying advances to violate restrictions on use of the debtor's fund resources; and

**FINDING NUMBER 2013-012
(Continued)**

- 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.
- When a fund ends the year with negative cash, it is not appropriate to present an *advance* on the budgetary statement to eliminate the negative cash fund balance. Even though, in substance, the government has made an advance, it is not acceptable to “hide” noncompliance by creating an advance not properly authorized by the government. However, the government should post an interfund receivable and payable to eliminate the negative cash balance on the GAAP financial statements. The government should select the fund to report the receivable.

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed retroactively;

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see ORC 5705.14, 5705.15 and 5705.16);
- The transfer should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

The Village had the following advances out that remained unpaid through 2013 from the following funds for 2013:

- Water Fund in the amount of \$45,000 will be payable to the General Fund.

The Village had the following advances out that remained unpaid through 2013 from the following funds for 2012:

- Sewer Fund in the amount of \$29,675 will be payable to the Capital Improvement Fund;
- Sanitation Fund in the amount of \$758 will be payable to the General Fund;
- Water Fund in the amount of \$18,500 will be payable to the General Fund;
- Street Fund in the amount of \$5,470 will be payable to the General Fund.

The Village had the following advances out that remained unpaid through 2013 from 2011:

- Sanitation Fund in the amount of \$758 will be payable to the General Fund;
- Federal Fund in the amount of \$483 will be payable to the Water Fund.

The Village had the following advances out that remained unpaid through 2013 from 2010:

- Water Fund in the amount of \$2,400 will be payable to the General Fund.

**FINDING NUMBER 2013-012
(Continued)**

The Village had the following advances out that remained unpaid through 2013 from 2009:

- Sanitation Fund in the amount of \$1,364 will be payable to the General Fund;
- Water Fund in the amount of \$17,800 will be payable to the General Fund.

However, the Village still maintains that they do intend to repay these if monies become available. Failure to repay these monies will result that the repayment will not occur to the intended funds listed above.

We recommend the Village track all outstanding advances and ensure that if they are not repaid that they take the necessary steps to convert them to transfers if it becomes apparent that repayment will not occur.

Officials' Response:

We did not receive responses from Officials to these findings.

This page intentionally left blank.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Noncompliance Citation and Material Weakness – Ohio Rev. Code § 733.28	No	Not Corrected. Reissued as Finding Number 2013-002.
2012-002	Noncompliance Citation – Ohio Rev. Code § 5705.41(B)	No	Not Corrected. Reissued as Finding Number 2013-007.
2012-003	Noncompliance Citation – Ohio Rev. Code § 5705.41(D)(1)	No	Not Corrected. Reissued as Finding Number 2013-008.
2012-004	Material Weakness – Financial Reporting	No	Not Corrected. Reissued as Finding Number 2013-002.
2012-005	Significant Deficiency – Financial Monitoring	No	Not Corrected. Reissued as Finding Number 2013-010.
2012-006	Significant Deficiency – Payroll Controls	No	Not Corrected. Reissued as Finding Number 2013-011.
2012-007	Significant Deficiency - Advances	No	Not Corrected. Reissued as Finding Number 2013-012.
2012-008	Finding for Recovery	Yes	Corrected.

This page intentionally left blank.



Dave Yost • Auditor of State

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
JANUARY 13, 2015**