

Village of Coal Grove
Lawrence County
Regular Audit
For the Year Ended December 31, 2017



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KEITH FABER



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Board of Trustees
Village of Coal Grove
513 Carlton Davidson Lane
Coal Grove, OH 45638

We have reviewed the *Independent Auditor's Report* of the Village of Coal Grove, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 23, 2019

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Lawrence County
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Independent Auditor's Report

Village Council
Village of Coal Grove
513 Carlton Davidson Lane
Coal Grove, Ohio 45638

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Coal Grove, Lawrence County, Ohio (the Village) as of and for the year ended December 31, 2017.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 such 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 audit 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 (GAAP), to satisfy these requirements.

Village of Coal Grove
Lawrence County
Independent Auditor's Report

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require use to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

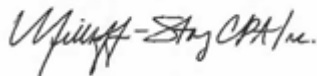
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017, or the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Coal Grove, Lawrence County, Ohio, as of December 31, 2017 and 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 May 17, 2019 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 the effectiveness of the Village's 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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio 45662

May 17, 2019

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, 2017

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$33,358	\$39,368	\$0	\$72,726
Municipal Income Tax	273,442	0	0	273,442
Intergovernmental	29,194	90,701	0	119,895
Special Assessments	0	1	89,418	89,419
Charges for Services	13,126	0	0	13,126
Fines, Licenses and Permits	205,443	250	0	205,693
Miscellaneous	15,909	732	0	16,641
Total Cash Receipts	570,472	131,052	89,418	790,942
Cash Disbursements:				
Current:				
Security of Persons and Property	303,538	8,722	0	312,260
Community Environment	693	0	0	693
Leisure Time Activities	3,595	0	0	3,595
Transportation	0	73,946	0	73,946
General Government	193,907	986	0	194,893
Capital Outlay	0	0	187,776	187,776
Debt Service:				
Principal Retirement	0	31,102	0	31,102
Interest and Fiscal Charges	0	3,425	0	3,425
Total Cash Disbursements	501,733	118,181	187,776	807,690
Excess of Receipts Over (Under) Disbursements	68,739	12,871	(98,358)	(16,748)
Other Financing Receipts:				
Sale of Fixed Assets	10,120	0	0	10,120
Other Debt Proceeds	0	0	93,085	93,085
Advances In	10,000	0	0	10,000
Total Other Financing Receipts	20,120	0	93,085	113,205
Net Change in Fund Cash Balances	88,859	12,871	(5,273)	96,457
Fund Cash Balances, January 1	44,693	38,849	80,485	164,027
Restricted	0	51,191	0	51,191
Committed	0	0	75,212	75,212
Assigned	7,013	529	0	7,542
Unassigned	126,539	0	0	126,539
Fund Cash Balances, December 31	\$133,552	\$51,720	\$75,212	\$260,484

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 Fiduciary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type	Fiduciary Fund Types	(Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$940,197	\$0	\$940,197
Total Operating Cash Receipts	940,197	0	940,197
Operating Cash Disbursements:			
Personal Services	321,423	0	321,423
Employee Fringe Benefits	136,345	0	136,345
Contractual Services	283,362	0	283,362
Supplies and Materials	99,691	0	99,691
Other	12,971	0	12,971
Total Operating Cash Disbursements	853,792	0	853,792
Operating Income	86,405	0	86,405
Non-Operating Cash Receipts (Disbursements):			
Special Assessments	46,765	0	46,765
Miscellaneous	14,641	0	14,641
Principal Retirement	(28,580)	0	(28,580)
Interest and Fiscal Charges	(16,240)	0	(16,240)
Capital Outlay	(1,530)	0	(1,530)
Other Financing Sources	328	195,567	195,895
Other Financing Uses	0	(199,624)	(199,624)
Total Non-Operating Cash Receipts (Disbursements)	15,384	(4,057)	11,327
Income (Loss) Before Other Financing Activities	101,789	(4,057)	97,732
Advances Out	(10,000)	0	(10,000)
Net Change in Fund Cash Balances	91,789	(4,057)	87,732
Fund Cash Balances, January 1	108,313	12,426	120,739
Fund Cash Balances, December 31	\$200,102	\$8,369	\$208,471

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

Village of Coal Grove
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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 9 to the financial statements provides additional information for this entity. This organization is the Ohio Plan Risk Management, Inc. (OPRM), 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). OPRM 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.

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all propriety and fiduciary fund types which are organized on a fund type basis.

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:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund. The General Fund is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted or committed to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Fund – This fund receives gasoline tax and motor vehicle license tax monies for constructing, maintaining, and repairing Village streets.

Fire Safety Levy Fund – This fund receives property tax monies to provide fire protection services for the Village.

Village of Coal Grove
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Capital Projects 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 Projects Fund:

Capital Improvement Fund – This fund receives a user fee that residents pay through utility billings which is used for any capital improvements, and related supplies, materials, and equipment necessary to safely and efficiently operate the Village’s utility department.

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 businesses to cover water service costs.

Sewer Fund – This fund receives charges for services from residents and businesses to cover sewer service costs.

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.

Basis of Accounting

These financial statements follow 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). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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
For the Year Ended December 31, 2017

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.

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.

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 re-appropriated.

A summary of the 2017 budgetary activity appears in Note 3.

Deposits

The Village maintains its deposit pool in checking accounts at a local financial institution.

Capital Assets

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

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.

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:

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

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.

Committed – Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless 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
For the Year Ended December 31, 2017

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.

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.

Note 2 – 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, 2017 was as follows:

Demand Deposits \$468,955

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System; however, at December 31, 2017, the financial institution still maintained its own collateral pool.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$565,000	\$590,592	\$25,592
Special Revenue	137,200	131,052	(6,148)
Capital Projects	89,000	182,503	93,503
Enterprise	1,018,791	1,001,931	(16,860)
Total	\$1,937,233	\$1,906,078	(\$96,087)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$595,812	\$508,746	\$87,066
Special Revenue	142,539	121,529	21,010
Capital Projects	238,085	187,776	50,309
Enterprise	1,002,814	915,298	87,516
Total	\$1,979,250	\$1,733,349	\$245,901

Village of Coal Grove
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which 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.

Public utilities are also taxed on personal and real property located within the Village.

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

Note 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.

Note 6 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1990 Special Assessments Bond	\$210,500	5.00%
2010 OWDA Loan (5252)	67,947	0.00%
2012 OWDA Loan (5824)	234,706	2.00%
2014 OPWC Loan (CT63R)	100,330	0.00%
2015 Community First National Lease	22,726	12.28%
2016 Lawrence County Treasurer Fire Truck Bond	75,400	2.25%
Total	<u>\$711,609</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. 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, which is comprised of \$178,689, which was forgiven in 2011 under OWDA's principal forgiveness program, and \$273,432, which the Village is responsible for repaying. 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.

Village of Coal Grove
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

In 2014, the Ohio Public Works Commission awarded the Village a \$127,000 loan with a 20 year term and a 0.00% interest rate. As of December 31, 2017, the Village has drawn \$100,330 of these funds. The loan has been identified as closed but has not yet been finalized. As such, a repayment schedule has not yet been established.

In 2015, the Village entered into a Master Equipment Lease Purchase Agreement (dated 3/3/2015) with Community First National Bank. This lease was for the purchase of eighteen (18) sets of bunker/turn-out gear for the Coal Grove Volunteer Fire Apartment. The total amount financed was \$36,461 with an interest rate of 12.28% making the total lease payment \$40,939 over the 5-year loan duration. The final payment will be made in March of 2020.

In 2016, the Village issued bonds in the amount of \$123,000 for the purchase of a fire truck. These bonds will be paid back over five years at an interest rate of 2.25%.

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

Year Ending December 31:	Special Assessment Bonds	OWDA	Lease	Fire Truck Bond
2018	\$29,600	\$15,185	\$8,188	\$26,297
2019	29,600	15,185	8,188	26,243
2020	29,600	15,185	8,188	26,280
2021	29,600	15,185	0	0
2022	29,600	15,185	0	0
2023-2027	118,400	75,923	0	0
2028-2032	0	75,923	0	0
2033-2037	0	75,923	0	0
2038-2042	0	62,291	0	0
Total	<u>\$266,400</u>	<u>\$365,985</u>	<u>\$24,564</u>	<u>\$78,820</u>

Note 7 - Retirement Systems

The Village's full-time police officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other full-time 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 2017, OP&F participants contributed 12.25% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2017, OPERS members contributed 10% of their gross salaries, with the Village contributing an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of Coal Grove
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM returned 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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 equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u><u>\$5,292,512</u></u>

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

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grants 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.

The Village currently has outstanding I.R.S. tax penalties in the amount of \$8,509 for taxable year 2015. The Village also has outstanding I.R.S. tax penalties for taxable year 2012 in the original amount of \$3,627. The Fiscal Officer and legal counsel negotiated with the I.R.S. regarding payments on all aforementioned cases. These obligations were repaid in full in 2019.

The Village is not currently party to any legal proceedings.

Village of Coal Grove
Lawrence County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Compliance

The Village did not properly maintain the minute book, which is contrary to Ohio Revised Code Section 733.27(A) and Section 121.22(C).

The Village used then and now certificates in excess to certify funds for several transactions, which circumvents the requirements of Ohio Revised Code Section 5705.41(D).

The Village had appropriations in excess of estimated revenues for the sewer fund, which is contrary to Ohio Revised Code Section 5705.39.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Coal Grove
513 Carlton Davidson Lane
Coal Grove, Ohio 45638

We have audited, 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, the financial statements of the Village of Coal Grove, Lawrence County, Ohio (the Village) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated May 17, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-002, 2017-004, and 2017-005 to be material weaknesses

A significant deficiency is a deficiency, or a combination of deficiencies, in the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2017-006 to be a significant deficiency.

Village of Coal Grove
Lawrence County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

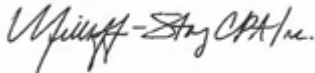
As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-001, 2017-003 and 2017-007.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio 45662

May 17, 2019

Village of Coal Grove
Lawrence County
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding 2017-001 – Noncompliance – Maintenance of Official Record

Ohio Revised Code Section 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 Revised Code Section 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.

We noted that minutes were approved by Council but were not signed by the Mayor and the Fiscal Officer. We noted, per inquiry of the Mayor's Court Clerk, that monthly Mayor's Court reports are being provided to Council during the meetings but that there is no documentation of this in the minutes. We noted that the Village minute book did not contain the minutes for all of the meetings held by the council.

Failure to maintain a sufficiently detailed minute record results in the lack of permanent documentation of all official actions of Council. Further, failure to obtain signatures of the Mayor and Fiscal Officer could result in questions regarding the authenticity of the minutes and the official actions approved by Council.

The Village should implement the appropriate procedures to ensure that minutes reflect all official actions of Council in sufficient detail, including being signed by the Mayor and Fiscal Officer after Council approval. Further, the Village should ensure that the minutes are prepared timely and properly maintained.

Client Response:

The fiscal officer will take next the necessary steps to correct these issues going forward.

Finding 2017-002 – Material Weakness – Bank Reconciliations and Financial Reporting

Having a sound internal control process in place over the reconciliation process is pertinent to a properly functioning organization. Additionally, a monitoring system by the Village should be in place to prevent or detect misstatements for the fair presentation of the Village's financial statements. During the course of testing, we noted the following issues:

Bank Reconciliations

We found that the water and payroll tax clearing accounts were not reconciled throughout the year, and that the cash balances for these accounts were not reported on the financial statements.

Errors in Financial Reporting

We noted misclassifications and other errors within the financial statements. Misclassifications, including postings to incorrect funds, were found within property tax and intergovernmental revenues, nonpayroll expenditures, debt repayments, and fund balances. In addition we found unrecorded enterprise fund revenues and mayor's court revenues and expenses related to the segregated cash accounts. Further, we identified that certain debt proceeds were not recorded. The accompanying financial statements were adjusted to reflect correction of the various errors identified during audit and the auditor confirmed corrections were made to the accounting system for applicable items.

Village of Coal Grove
Lawrence County
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Finding 2017-002 – Material Weakness – Bank Reconciliations and Financial Reporting (Continued)

The Village should implement procedures to ensure that all bank accounts are properly reconciled, and cash reported on the financial statements is accurate and complete. Additionally, the Village should implement additional monitoring procedures to ensure financial statements are properly presented.

Client Response:

The Fiscal Officer will work to implement additional monitoring procedures.

Finding 2017-003 – Noncompliance – Prior Certification of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The Village used Then and Now Certification for almost all items selected for encumbrance testing in 2017. This indicates Then and Now Purchase Orders are being used to circumvent the controls created by encumbrance process. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. Only when prior certification is not possible, "then and now" certification should be used.

Client Response:

The fiscal officer will comply in accordance to ORC for proper certification of funds.

Finding 2017-004 – Material Weakness – Budgetary Information Within the Accounting System

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. Budgeting, when properly used, can provide 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.

Village of Coal Grove
Lawrence County
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Finding 2017-004 – Material Weakness – Budgetary Information Within the Accounting System (Continued)

Accurate budgetary information within the Village’s accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Estimated revenue recorded in the accounting system did not agree to the certificate of estimated resources. Furthermore, unencumbered beginning balances were not reconciled to audited balances. The Fiscal Officer should implement procedures, such as periodic comparisons of formally approved budgets to budgetary information within the accounting system, to ensure the accuracy and completeness of budgetary information upon which Village officials rely for monitoring and planning purposes.

Client Response:

The Fiscal Officer will comply in accordance to ORC for budgetary controls.

Finding 2017-005 – Material Weakness – Outstanding Advances

The Ohio Revised Code requires that if, after an advance has been made, the taxing authority determines that the transaction should, if 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 (in accordance with Ohio Revised Code Sections 5705.14 through 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 has advances outstanding from previous years that have not been repaid. The Village should implement procedures to ensure it is sufficiently tracking all outstanding advances, and that if it is subsequently determined that the outstanding advances will not be repaid, that they take the necessary steps to convert them to transfers.

Client Response:

The Fiscal Officer will work with Council to draft legislation to either repay advances or convert them to transfers if compliant with ORC.

Finding 2017-006 – Significant Deficiency – Maintenance of Documentation

Maintenance of proper supporting documentation is pertinent to ensure a proper audit trail is maintained. Such an audit trail helps demonstrate that receipts and disbursements were properly recorded and that disbursements are compliant with applicable laws and regulations and are for a proper public purpose.

During the course of testing, we identified several deficiencies in the maintenance of proper supporting documentation, including:

- Instances where mayor’s court case files could not be located.
- An instance where the magistrate waived a fine or fee but the signature page for the magistrate could not be located, evidencing the fee was officially waived.
- Instances where supporting documentation for an individual’s tax payment could not be located.

Failure to maintain supporting documentation subjects the Village to the risk of inaccuracies, and results in an insufficient audit trail. The Village should implement procedures to ensure that supporting documentation for all departments of the Village is properly maintained.

Village of Coal Grove
Lawrence County
Schedule of Findings and Responses
For the Year Ended December 31, 2017

Finding 2017-006 – Significant Deficiency – Maintenance of Documentation (Continued)

Client Response:

The Fiscal Officer will comply and maintain all appropriate documentation.

Finding 2017-007 – Noncompliance – Appropriations in Excess of Estimated Revenues

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total estimated resources. During the course of testing we noted appropriations in excess of estimated revenues for the sewer fund. The Village should implement additional procedures to ensure when filing annual appropriations and estimated resources they remain in compliance with the Ohio Revised Code.

Client Response:

The Fiscal Officer will comply and maintain all appropriate documentation.

Village of Coal Grove
Lawrence County
Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2016-001	Noncompliance Citation – Ohio Revised Code (ORC) Sections 733.27(A) and 121.22(C) – Maintenance of Official Record	No	Reissued as 2017-001
2016-002	Noncompliance Citation/Material Weakness – ORC Section 733.28 and Ohio Administrative Code (OAC) Section 117-2-02(A) – Bank Reconciliations and Financial Reporting	No	Reissued, in part, as 2017-002
2016-003	Noncompliance Citation/Material Weakness – ORC Section 145.47(B) – Retirement Reports and Remittances	No	Reissued, in Part, in Management Letter
2016-004	Noncompliance Citation – ORC Section 5705.41(D) – Prior Certification of Funds	No	Reissued as 2017-003
2016-005	Material Weakness – Budgetary Information Within the Accounting System	No	Reissued as 2017-004
2016-006	Material Weakness – Payroll Items	No	Reissued, in Part, in Management Letter
2016-007	Material Weakness – Outstanding Advances	No	Reissued as 2017-005
2016-008	Material Weakness – Maintenance of Documentation (Expenditures)	No	Reissued as 2017-006
2016-009	Noncompliance Citation/Material Weakness – ORC Section 5705.38(A) – Adoption of Appropriations	Yes	
2016-010	Noncompliance Citation/Material Weakness – ORC Section 5705.41(B) – Appropriation Authority/Expenditures in Excess of Appropriations	Yes	

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OHIO AUDITOR OF STATE KEITH FABER



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 2, 2020**