



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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VILLAGE OF COALTON
JACKSON COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2014 and 2013
Fiscal Years Audited Under GAGAS: 2014 and 2013



Dave Yost • Auditor of State

Village Council
Village of Coalton
PO Box 98
Coalton, Ohio 45621

We have reviewed the *Independent Auditor's Report* of the Village of Coalton, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2013 through December 31, 2014. 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 Coalton is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 29, 2015

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Jackson County, Ohio
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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Village of Coalton
Jackson County
P.O. Box 98
Coalton, Ohio 45621

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Coalton, Jackson County, (the Village), as of and for the years ended December 31, 2014 and 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 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 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 opinion.

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 Coalton
Jackson County
Independent Auditor's Report
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Although the effects on the financial statements of the variances between the regulatory basis of accounting 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 us 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 permitted 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, 2014 and 2013, or changes in financial position or cashflows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Coalton, Jackson County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years 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 April 30, 2015, on our consideration of the Village's internal control over financial reporting and on 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 Standard* in considering the Village's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
April 30, 2015

**VILLAGE OF COALTON
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 26,072	\$ -	\$ 26,072
Intergovernmental	40,711	62,437	103,148
Charges for Services	-	23,875	23,875
Fines, Licenses, and Permits	17,053	-	17,053
Earnings on Investments	-	40	40
Miscellaneous	4,896	533	5,429
Total Cash Receipts	<u>88,732</u>	<u>86,885</u>	<u>175,617</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	51,658	36,806	88,464
Public Health Service	-	1,463	1,463
Basic Utility Services	-	2,809	2,809
Transportation	-	15,237	15,237
General Government	<u>34,950</u>	<u>9,580</u>	<u>44,530</u>
Total Cash Disbursements	<u>86,608</u>	<u>65,895</u>	<u>152,503</u>
<i>Net Change in Fund Cash Balances</i>	2,124	20,990	23,114
Fund Cash Balances, January 1	<u>65,542</u>	<u>173,150</u>	<u>238,692</u>
Restricted	-	194,140	194,140
Assigned	602	-	602
Unassigned	<u>67,064</u>	<u>-</u>	<u>67,064</u>
Fund Cash Balances, December 31	<u>\$ 67,666</u>	<u>\$ 194,140</u>	<u>\$ 261,806</u>

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

**VILLAGE OF COALTON
JACKSON 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, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 267,747	\$ -	\$ 267,747
Miscellaneous	298	-	298
Total Operating Cash Receipts	268,045	-	268,045
Operating Cash Disbursements			
Personal services	43,420	-	43,420
Fringe benefits	5,930	-	5,930
Contractual services	259,587	-	259,587
Supplies and Materials	7,182	-	7,182
Total Operating Cash Disbursements	316,119	-	316,119
<i>Operating Income (Loss)</i>	(48,074)	-	(48,074)
Non-Operating Receipts (Disbursements)			
Intergovernmental	156,424	-	156,424
Debt Proceeds	127,985	-	127,985
Capital Outlay	(163,199)	-	(163,199)
Debt Service:			
Principal	(85,473)	-	(85,473)
Interest	(23,355)	-	(23,355)
Other Non-operating Receipts	-	20,757	20,757
Other Non-operating Disbursements	-	(21,747)	(21,747)
Total Non-Operating Receipts (Disbursements)	12,382	(990)	11,392
<i>Net Change in Fund Cash Balances</i>	(35,692)	(990)	(36,682)
Fund Cash Balances, January 1	224,456	1,448	225,904
Fund Cash Balances, December 31	\$ 188,764	\$ 458	\$ 189,222

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

**VILLAGE OF COALTON
JACKSON COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 16,579	\$ -	\$ 16,579
Intergovernmental	39,369	55,824	95,193
Charges for Services	-	22,038	22,038
Fines, Licenses, and Permits	16,452	-	16,452
Earnings on Investments	-	2,964	2,964
Miscellaneous	<u>8,436</u>	<u>-</u>	<u>8,436</u>
Total Cash Receipts	<u>80,836</u>	<u>80,826</u>	<u>161,662</u>
Cash Disbursements:			
Current:			
Security of Persons & Property	64,080	22,620	86,700
Public Health Service	-	598	598
Basic Utility Services	-	5,962	5,962
Transportation	-	18,562	18,562
General Government	38,501	8,110	46,611
Capital Outlay	<u>10,051</u>	<u>-</u>	<u>10,051</u>
Total Cash Disbursements	<u>112,632</u>	<u>55,852</u>	<u>168,484</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(31,796)</i>	<i>24,974</i>	<i>(6,822)</i>
Other Financing Receipts (Disbursements):			
Advances-Out	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Total Other Financing Receipts (Disbursements)	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
<i>Net Change in Fund Cash Balances</i>	<i>(41,796)</i>	<i>24,974</i>	<i>(16,822)</i>
Fund Cash Balances, January 1	<u>107,338</u>	<u>148,176</u>	<u>255,514</u>
Restricted	-	173,150	173,150
Assigned	2,109	-	2,109
Unassigned	<u>63,433</u>	<u>-</u>	<u>63,433</u>
Fund Cash Balances, December 31	<u>\$ 65,542</u>	<u>\$ 173,150</u>	<u>\$ 238,692</u>

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

VILLAGE OF COALTON
JACKSON 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

	<u>Proprietary</u>	<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Fund Type</u>	<u>Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 256,652	\$ -	\$ 256,652
Miscellaneous	610	-	610
Total Operating Cash Receipts	257,262	-	257,262
Operating Cash Disbursements			
Personal services	41,211	-	41,211
Fringe benefits	8,715	-	8,715
Contractual services	152,395	-	152,395
Supplies and Materials	15,212	-	15,212
Total Operating Cash Disbursements	217,533	-	217,533
<i>Operating Income (Loss)</i>	39,729	-	39,729
Non-Operating Receipts (Disbursements)			
Intergovernmental	30,760	-	30,760
Capital Outlay	(276,443)	-	(276,443)
Debt Proceeds	181,175	-	181,175
Debt Service:			
Principal	(33,594)	-	(33,594)
Interest	(30,095)	-	(30,095)
Other Non-operating Receipts	-	22,070	22,070
Other Non-operating Disbursements	-	(20,909)	(20,909)
Total Non-Operating Receipts (Disbursements)	(128,197)	1,161	(127,036)
<i>Income (Loss) Before Transfers and Advances</i>	(88,468)	1,161	(87,307)
Transfers and Advances			
Advances-In	10,000	-	10,000
Total Transfers and Advances	10,000	-	10,000
<i>Net Change in Fund Cash Balances</i>	(78,468)	1,161	(77,307)
Fund Cash Balances, January 1	302,924	287	303,211
Fund Cash Balances, December 31	\$ 224,456	\$ 1,448	\$ 225,904

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

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Coalton, Jackson County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, waste removal services, and police services. The Village also appropriates funds to support a volunteer fire department.

The Village management believes these financial statements represent 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund:

The General Fund 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 Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money to construct, maintain and repair Village streets.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Special Revenue Funds (continued):

Fire Fund – This fund receives fire contract and service fee monies for the operation and maintenance of the Village's fire department.

CIB Sales Tax Fund – This fund receives sales taxes from the County to be used for permanent improvement purposes.

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 to cover the cost of providing water services.

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

5. Fiduciary Funds (Agency Fund):

Fiduciary funds include an agency fund, which is purely custodial in nature and 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 Mayor's Court activity.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object by department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2014 and 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 COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (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

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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 AND INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Demand deposits	\$435,399	\$449,012
Certificates of deposit	<u>15,629</u>	<u>15,584</u>
Total deposits:	<u>\$451,028</u>	<u>\$464,596</u>

Deposits: The Village's deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and December 31, 2013, was as follows:

2014 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$70,425	\$88,732	\$18,307
Special Revenue	59,500	86,885	27,385
Enterprise	<u>236,000</u>	<u>552,454</u>	<u>316,454</u>
Total	<u><u>\$365,925</u></u>	<u><u>\$728,071</u></u>	<u><u>\$362,146</u></u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$99,842	\$87,210	\$12,632
Special Revenue	79,059	65,958	13,101
Enterprise	<u>608,809</u>	<u>588,895</u>	<u>19,914</u>
Total	<u><u>\$787,710</u></u>	<u><u>\$742,063</u></u>	<u><u>\$45,647</u></u>

2013 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$83,836	\$80,836	(\$3,000)
Special Revenue	70,251	80,826	10,575
Enterprise	<u>319,442</u>	<u>469,167</u>	<u>149,755</u>
Total	<u><u>\$473,529</u></u>	<u><u>\$630,859</u></u>	<u><u>\$157,330</u></u>

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

3. BUDGETARY ACTIVITY (CONTINUED)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$91,943	\$114,741	(\$22,798)
Special Revenue	58,225	56,122	2,103
Enterprise	<u>558,758</u>	<u>559,078</u>	<u>(320)</u>
Total	<u>\$708,926</u>	<u>\$729,941</u>	<u>(\$21,015)</u>

Contrary to Ohio Revised Code section 5705.41(B), budgetary expenditures exceeded appropriation authority in the General, Street, Cemetery and Sewer funds in the amounts of \$22,798, \$835, \$208 and \$23,230, respectively, in 2013.

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.

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

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds (FmHA)	\$188,700	5.00%
OWDA #6054*	919,297	1.50%
OPWC CT38J	292,500	0.00%
OPWC CO04N	290,000	0.00%
Mortgage Revenue Bonds (USDA)	<u>577,300</u>	<u>2.375%</u>
Total	<u>\$2,267,797</u>	

The Farmers Home Administration (FmHA) Mortgage Revenue Bonds relate to a water and sewer plant project mandated by the Ohio Environmental Protection Agency. These bonds are to be paid from user charges for the utilities.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

5. DEBT (CONTINUED)

Ohio Water Development Authority (OWDA) loan #6054, initially approved for \$970,000, is for the Waterline Replacement Project. As of December 31, 2014, the Village had drawn \$945,478 of the loan principal and capitalized interest. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt. The loan has not been finalized as of December 31, 2014, and therefore, an amortization schedule has not been established.

Ohio Public Works Commission (OPWC) loan #CT38J, initially approved for \$325,000, is for the Coalton/Glenroy Sanitary Sewer Improvement Project. The loan activity is reflected in the Sewer Enterprise Fund which received the proceeds of the debt. Annual payments of \$8,125 are due throughout the term of the loan beginning in 2013 and ending on January 1, 2032.

Ohio Public Works Commission (OPWC) loan #CO04N, initially approved for \$300,000, is for the Water Distribution System Renovations Project. As of December 31, 2014, the Village had drawn the full amount of the loan. The loan activity is reflected in the Water Enterprise Fund which received the proceeds of the debt. Annual payments of \$5,000 are due throughout the term of the loan beginning in 2014 and ending on January 1, 2043.

Sanitary Sewer System Mortgage Revenue Bonds, Series 2011, relate to a sanitary sewer system improvement project, and which is funded through the United States Department of Agriculture (USDA). These bonds are to be paid from user charges for the utilities.

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

	FmHA Revenue Bonds	OPWC CT38J	OPWC CO04N	USDA Revenue Bonds
Year Ending December 31:				
2015	\$23,579	\$10,000	\$16,250	\$23,611
2016	23,570	10,000	16,250	23,576
2017	24,106	10,000	16,250	23,871
2018	24,854	10,000	16,250	24,164
2019	25,578	10,000	16,250	24,357
2020-2024	91,609	50,000	81,250	71,852
2025-2029	62,066	50,000	81,250	78,024
2030-2034	0	50,000	48,750	86,051
2035-2039	0	50,000	0	95,056
2040-2044	0	40,000	0	105,237
2045-2049	0	0	0	116,590
2050-2051	0	0	0	56,815
Totals	<hr/> \$275,362	<hr/> \$290,000	<hr/> \$292,500	<hr/> \$729,204

*The loan for OWDA #6054 has not been finalized; therefore, an amortization schedule is not available.

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. From January 1, 2013 through June 30, 2013, OP&F participants contributed 10% of their wages, from July 1, 2013 through June 30, 2014, OP&F participants contributed 10.75% of their wages, from July 1, 2014 through December 31, 2014, OP&F participants contributed 11.5% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available):

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

**VILLAGE OF COALTON
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

7. RISK MANAGEMENT (CONTINUED)

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$16,265	\$16,328

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies 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.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village of Coalton
Jackson County
P.O. Box 98
Coalton, Ohio 45621

To the Village Council:

We have audited, in accordance with the 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 Coalton, Jackson County, (the Village) as of and for the years ended December 31, 2014 and 2013 and the related notes to the financial statements, and have issued our report thereon dated April 30, 2015, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 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. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-003 described in the accompanying schedule of findings to be material weaknesses.

Village of Coalton

Report on Internal Control Over Financial Reporting and on Compliance and

Other Matters Required by *Government Auditing Standards*

Page 2

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 item 2014-002.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control testing 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.

Worthington, Ohio

April 30, 2015

Village of Coalton

Jackson County

Schedule of Findings

December 31, 2014 and 2013

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

FINDING NUMBER	2014-001
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MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the fiscal officer and Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Property Tax revenues,
- Intergovernmental revenues,
- Miscellaneous revenues,
- Principal Payments expense,
- Interest and Fiscal Charges expense,
- Other Financing Uses
- Fund Balance

All of the above noted adjustments have been posted to the financial statements and to the Village's UAN accounting system.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Ohio Village Officer's Handbook for guidance on the correct line item to post various receipts and expenditures of the Village.

Client Response: The Fiscal Officer will be more aware of proper posting of revenues and expenditures.

FINDING NUMBER	2014-002
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.41B states that no subdivision or taxing unit is to expend money unless it is appropriated.

The Village had expenditures in excess of appropriations in the General, Street, Cemetery and Sewer funds in the amounts of \$22,798, \$835, \$208 and \$23,230, respectively, in 2013.

The Village should take due care to ensure close budgetary monitoring, and amend appropriations when necessary to ensure that all expenditures are properly appropriated.

Client Response: The Village will implement procedures to more closely monitor the budget and fund balances.

Village of Coalton
Jackson County
Schedule of Findings (Continued)
December 31, 2014 and 2013

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

FINDING NUMBER	2014-003
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MATERIAL WEAKNESS

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. Variances were identified between budgetary items entered into the accounting system and formally adopted budgetary measures in 2013. The Village should implement the appropriate procedures, such as reconciling budgetary information within the accounting system to formally approved budgets, to ensure that budgetary information is presented accurately and completely.

Client Response: The fiscal officer will take due care to ensure that budgetary information is accurately posted into UAN.

Village of Coalton
Jackson County
Schedule of Prior Audit Findings
December 31, 2014 and 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected: Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-1	Material Weakness – Financial Reporting	No	Reissued as 2014-001
2012-2	ORC 5705.41(D)(1) – Proper Encumbrance of Funds	Yes	
2012-3	ORC 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as 2014-002
2012-4	ORC 5705.39 – Appropriations in Excess of Estimated Resources	Yes	
2012-5	Material Weakness – Budgetary Information in UAN	No	Reissued as 2014-003
2012-6	ORC 5705.36(A)(4) – Appropriations in Excess of Available Resources	Yes	
2012-7	Noncompliance/Material Weakness – Cash Management	Yes	

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Dave Yost • Auditor of State

VILLAGE OF COALTON

JACKSON 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JULY 9, 2015