



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF COAL GROVE  
LAWRENCE COUNTY

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**STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Coal Grove, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Coal Grove, Lawrence County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2002, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

April 2, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$182,407	\$12,262	\$	\$194,669
Intergovernmental Receipts	60,976	93,640		154,616
Charges for Services	1,540			1,540
Fines, Licenses, and Permits	118,334	1,500		119,834
Earnings on Investments	6,419	1,932		8,351
Miscellaneous	12,110	2,503		14,613
	<u>381,786</u>	<u>111,837</u>	<u>0</u>	<u>493,623</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	174,615	1,000		175,615
Leisure Time Activities	9,375	26,811		36,186
Community Environment	1,351			1,351
Transportation	34,006	118,034		152,040
General Government	150,851	23,332		174,183
Capital Outlay	10,696	62		10,758
	<u>380,894</u>	<u>169,239</u>	<u>0</u>	<u>550,133</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>892</u>	<u>(57,402)</u>	<u>0</u>	<u>(56,510)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		36,703		36,703
Transfers-Out	(36,703)			(36,703)
Advances-In		20,108		20,108
Advances-Out	(20,108)			(20,108)
	<u>(56,811)</u>	<u>56,811</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,919)	(591)	0	(56,510)
Fund Cash Balances January 1	164,174	66,580	3,936	234,690
<b>Fund Cash Balances, December 31</b>	<b><u>\$108,255</u></b>	<b><u>\$65,989</u></b>	<b><u>\$3,936</u></b>	<b><u>\$178,180</u></b>
Reserves for Encumbrances, December 31	<u>\$631</u>	<u>\$1,190</u>	<u>\$0</u>	<u>\$1,821</u>

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$593,169	\$	\$593,169
Miscellaneous	9,528		9,528
Total Operating Cash Receipts	602,697	0	602,697
<b>Operating Cash Disbursements:</b>			
Personal Services	268,596		268,596
Fringe Benefits	156,220		156,220
Contractual Services	141,820		141,820
Supplies and Materials	106,952		106,952
Capital Outlay	12,356		12,356
Total Operating Cash Disbursements	685,944	0	685,944
Operating Income/(Loss)	(83,247)	0	(83,247)
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		118,756	118,756
Local Taxes	50,314		50,314
Total Non-Operating Cash Receipts	50,314	118,756	169,070
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal	43,645		43,645
Interest	28,957		28,957
Other	3,292		3,292
Other Non-Operating Cash Disbursements		116,531	116,531
Total Non-Operating Cash Disbursements	75,894	116,531	192,425
Net Cash Receipts Over/(Under) Cash Disbursements	(108,827)	2,225	(106,602)
Fund Cash Balances, January 1	173,133	8,096	181,229
<b>Fund Cash Balances, December 31</b>	<b>\$64,306</b>	<b>\$10,321</b>	<b>\$74,627</b>
Reserve for Encumbrances, December 31	\$14,121	\$0	\$14,121

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



**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$191,753	\$7,981	\$	\$199,734
Intergovernmental Receipts	53,236	64,762		117,998
Charges for Services	1,435			1,435
Fines, Licenses, and Permits	98,574	1,450		100,024
Earnings on Investments	14,576	5,086		19,662
Miscellaneous	7,467	544		8,011
	<u>367,041</u>	<u>79,823</u>	<u>0</u>	<u>446,864</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	159,903	1,000		160,903
Leisure Time Activities	8,307			8,307
Community Environment	1,000			1,000
Transportation	13,321	80,228		93,549
General Government	139,284			139,284
Capital Outlay	5,795	3,236		9,031
	<u>327,610</u>	<u>84,464</u>	<u>0</u>	<u>412,074</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>39,431</u>	<u>(4,641)</u>	<u>0</u>	<u>34,790</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In		10,000		10,000
Transfers-Out	(10,000)			(10,000)
	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	29,431	5,359	0	34,790
Fund Cash Balances January 1	134,743	61,221	3,936	199,900
<b>Fund Cash Balances, December 31</b>	<u><b>\$164,174</b></u>	<u><b>\$66,580</b></u>	<u><b>\$3,936</b></u>	<u><b>\$234,690</b></u>
Reserves for Encumbrances, December 31	<u>\$1,306</u>	<u>\$134</u>	<u>\$0</u>	<u>\$1,440</u>

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$577,090	\$	\$577,090
Miscellaneous	1,516		1,516
Total Operating Cash Receipts	<u>578,606</u>	<u>0</u>	<u>578,606</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	229,098		229,098
Fringe Benefits	129,138		129,138
Contractual Services	150,965		150,965
Supplies and Materials	84,368		84,368
Capital Outlay	6,471		6,471
Total Operating Cash Disbursements	<u>600,040</u>	<u>0</u>	<u>600,040</u>
Operating Income/(Loss)	<u>(21,434)</u>	<u>0</u>	<u>(21,434)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Cash Receipts		101,090	101,090
Local Taxes	52,790		52,790
Total Non-Operating Cash Receipts	<u>52,790</u>	<u>101,090</u>	<u>153,880</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal	56,436		56,436
Interest	37,253		37,253
Other	1,823		1,823
Other Non-Operating Cash Disbursements		95,697	95,697
Total Non-Operating Cash Disbursements	<u>95,512</u>	<u>95,697</u>	<u>191,209</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	(64,156)	5,393	(58,763)
Transfers-In	8,000		8,000
Transfers-Out	(8,000)		(8,000)
Net Cash Receipts Over/(Under) Cash Disbursements	(64,156)	5,393	(58,763)
Fund Cash Balances, January 1	<u>237,289</u>	<u>2,703</u>	<u>239,992</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$173,133</u></b>	<b><u>\$8,096</u></b>	<b><u>\$181,229</u></b>
Reserve for Encumbrances, December 31	<u>\$2,616</u>	<u>\$0</u>	<u>\$2,616</u>

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 5 to the financial statements.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash**

Cash and investments are valued at cost.

The Village has an autosweep investment agreement with National City Bank. Village funds are automatically withdrawn and invested in repurchase agreements. The amount withdrawn is redeposited to the Village's account at the beginning of the following business day together with interest that is accrued and credited to the Village's account.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**D. Fund Accounting (Continued)**

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

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

*EMA Fund* - This fund receives monies from the Emergency Management Agency to provide flood relief to the Village.

*Ohio Public Works Fund* - This fund receives monies from the State Department of Public Works for repair and maintenance of Village parks.

**3. Capital Projects Fund**

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

*Construction Fund* - The Village has a residual cash balance in the capital projects fund from project CT50B in 1999.

**4. Enterprise Funds**

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

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

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

**5. Agency Fund**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Village had the following significant Agency Fund:

*Mayor's Court Fund* - This fund is used to account for the activities of the Village's Mayor's Court.

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

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

	2001	2000
Demand deposits	\$ 54,807	\$ 15,919
Repurchase agreements	198,000	400,000
Total deposits and investments	\$ 252,807	\$ 415,919

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$349,702	\$381,786	\$32,084
Special Revenue	174,991	168,648	(6,343)
Capital Projects	0	0	0
Enterprise	673,364	653,011	(20,353)
Total	\$1,198,057	\$1,203,445	\$5,388

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$488,860	\$438,336	\$50,524
Special Revenue	194,783	170,429	24,354
Capital Projects	3,936	0	3,936
Enterprise	825,059	775,959	49,100
Total	\$1,512,638	\$1,384,724	\$127,914

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$356,750	\$367,041	\$10,291
Special Revenue	116,000	89,823	(26,177)
Capital Projects			0
Enterprise	681,000	639,396	(41,604)
Total	\$1,153,750	\$1,096,260	(\$57,490)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$451,893	\$338,916	\$112,977
Special Revenue	129,741	84,598	45,143
Capital Projects	3,936		3,936
Enterprise	867,710	706,168	161,542
Total	\$1,453,280	\$1,129,682	\$323,598

**4. PROPERTY TAX**

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

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

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

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

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$354,776	8.26%
General Obligation Bonds	12,345	0.00%
Special Assessment Notes	417,500	5.00%
Mortgage Revenue Bonds	120,000	6.75%
Total	\$904,621	

The Ohio Water Development Authority (OWDA) Loan and Special Assessment Notes relate to various sewer projects. The General Obligation Notes and Mortgage Revenue Bonds relate to various water projects. The above obligations are collateralized by water and sewer receipts.

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

Year ending December 31:	OWDA Loan	General Obligation Bonds	Special Assessment Notes	Mortgage Revenue Bonds
2002	\$18,125	\$3,527	\$29,675	\$32,256
2003	36,250	3,527	29,635	35,400
2004	36,250	3,527	29,575	33,375
2005	36,250	1,764	29,595	36,181
2006	36,250		29,590	
2007 – 2011	181,250		148,130	
2012 – 2016	54,374		148,170	
2017 – 2021			140,020	
2022 – 2026			148,170	
Total	\$398,749	\$12,345	\$732,560	\$137,212

The Village has assets accumulated to retire the Mortgage Revenue Bonds noted above, which are held by a trustee, and are not included in the assets disclosed in Note 2. The Village does not have to pay principal and interest. The trustee will pay this off with acquired assets as they come due.

**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. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.



**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**7. RISK POOL MEMBERSHIP**

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

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

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

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	<u>3,863,373</u>	<u>3,461,914</u>
Retained (deficit) earnings	<u>(\$904,546)</u>	<u>\$689,536</u>

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

**8. CONTINGENT LIABILITIES**

The Village is defendant in a lawsuit. Although the outcome is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**VILLAGE OF COAL GROVE  
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**9. THIRD PARTY ADMINISTRATOR**

The Village has delegated the retirement of their mortgage revenue bonds, which is a significant accounting function, to a third-party administrator. The Village has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that bond payments have not been completely and accurately processed in accordance with the contract.

We recommend the Village implement procedures to assure the completeness and accuracy of bond payments processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70 {or 92 for investing} as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Village with an appropriate level of assurance that bond payments are being processed in conformance with the contract.

We recommend the Village specify in their contract with their third-party administrator that an annual Tier II SAS 70 audit report be performed. The Village should be provided a copy of the SAS 70 report timely and should review the report's contents. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

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

To The Village Council:

We have audited the accompanying financial statements of the Village of Coal Grove, Lawrence County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 2, 2002. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 2, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration on the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 2, 2002.

Village of Coal Grove  
Lawrence County  
Report of Independent Accountants on Compliance and  
on Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

April 2, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
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**VILLAGE OF COAL GROVE**

**LAWRENCE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 18, 2002**