

Village of Coal Grove  
Lawrence County  
Regular Audit  
For the Years Ended December 31, 2016 and 2015



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# Dave Yost • Auditor of State

Village Council  
Village of Coal Grove  
513 Carlton Davidson Lane  
Coal Grove, Ohio 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, 2015 through December 31, 2016. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 13, 2017

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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 years ended December 31, 2016 and 2015.

**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 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.

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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 *Additional Opinion Qualification* and *Unmodified Opinion* paragraphs 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, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

**Basis for Additional Opinion Qualification**

Non-payroll disbursements are reported as follows for the year ended December 31, 2015: general fund in the amount of \$328,207 or 47% of total general fund disbursements; special revenue funds in the amount of \$38,446 or 48% of total special revenue funds' disbursements; and enterprise funds in the amount of \$375,537 or 44% of total enterprise funds' disbursements. Miscellaneous receipts are reported as follows for the year ended December 31, 2015: general fund in the amount of \$39,585 or 7% of total general fund revenues. For the year ended December 31, 2015, we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as non-payroll disbursements for general, special revenue, enterprise funds and miscellaneous receipts for the general fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

**Additional Opinion Qualification**

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Coal Grove, Lawrence County, Ohio, as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances as of December 31, 2016 and the Capital Projects and Fiduciary Fund Types as of December 31, 2015 of the Village of Coal Grove, Lawrence County, Ohio, 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.



Village of Coal Grove  
Lawrence County  
Independent Auditor's Report

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

November 13, 2017

**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, 2016*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$33,146	\$41,116	\$0	\$74,262
Municipal Income Tax	265,454	0	0	265,454
Intergovernmental	29,285	101,835	177,415	308,535
Special Assessments	0	0	90,059	90,059
Charges for Services	12,828	0	0	12,828
Fines, Licenses and Permits	188,987	350	0	189,337
Miscellaneous	12,007	0	0	12,007
<b>Total Cash Receipts</b>	<b>541,707</b>	<b>143,301</b>	<b>267,474</b>	<b>952,482</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	342,137	26,949	0	369,086
Community Environment	2,374	0	0	2,374
Leisure Time Activities	7,104	0	0	7,104
Transportation	166	106,784	0	106,950
General Government	183,368	0	0	183,368
Capital Outlay	0	2,073	400,593	402,666
<b>Debt Service:</b>				
Principal Retirement	6,733	23,500	0	30,233
Interest and Fiscal Charges	1,455	1,243	0	2,698
<b>Total Cash Disbursements</b>	<b>543,337</b>	<b>160,549</b>	<b>400,593</b>	<b>1,104,479</b>
<b>Excess of Receipts Under Disbursements</b>	<b>(1,630)</b>	<b>(17,248)</b>	<b>(133,119)</b>	<b>(151,997)</b>
<b>Other Financing Receipts (Disbursements):</b>				
Proceeds from OPWC Loans	0	0	7,245	7,245
Sale of Bonds	0	0	123,000	123,000
Advances In	30,000	0	0	30,000
Advances Out	(40,000)	0	0	(40,000)
Sale of Capital Assets	6,946	0	0	6,946
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(3,054)</b>	<b>0</b>	<b>130,245</b>	<b>127,191</b>
<b>Net Change in Fund Cash Balances</b>	<b>(4,684)</b>	<b>(17,248)</b>	<b>(2,874)</b>	<b>(24,806)</b>
<b>Fund Cash Balances, January 1</b>	<b>49,377</b>	<b>56,097</b>	<b>83,359</b>	<b>188,833</b>
Restricted	0	38,320	0	38,320
Committed	0	0	80,485	80,485
Assigned	2,847	529	0	3,376
Unassigned	41,846	0	0	41,846
<b>Fund Cash Balances, December 31</b>	<b>\$44,693</b>	<b>\$38,849</b>	<b>\$80,485</b>	<b>\$164,027</b>

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  
Proprietary and Fiduciary Fund Types  
For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$825,091	\$0	\$825,091
Total Operating Cash Receipts	825,091	0	825,091
Operating Cash Disbursements:			
Personal Services	334,526	0	334,526
Fringe Benefits	118,933	0	118,933
Contractual Services	299,692	0	299,692
Supplies and Materials	127,992	0	127,992
Other	11,203	0	11,203
Total Operating Cash Disbursements	892,346	0	892,346
Operating Loss	(67,255)	0	(67,255)
Non-Operating Receipts (Disbursements):			
Special Assessments	47,937	0	47,937
Miscellaneous	354	0	354
Principal Retirement	(27,535)	0	(27,535)
Interest and Fiscal Charges	(17,265)	0	(17,265)
Capital Outlay	(837)	0	(837)
Other Financing Sources	0	171,941	171,941
Other Financing Uses	0	(172,513)	(172,513)
Total Non-Operating Receipts (Disbursements)	2,654	(572)	2,082
Loss Before Interfund Advances	(64,601)	(572)	(65,173)
Advances In	40,000	0	40,000
Advances Out	(30,000)	0	(30,000)
Net Change in Fund Cash Balances	(54,601)	(572)	(55,173)
Fund Cash Balances, January 1	162,914	12,998	175,912
Fund Cash Balances, December 31	\$108,313	\$12,426	\$120,739

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, 2015*

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$34,927	\$0	\$0	\$34,927
Municipal Income Tax	257,935	0	0	257,935
Intergovernmental	27,161	88,344	122,585	238,090
Special Assessments	0	0	89,884	89,884
Charges for Services	1,590	0	0	1,590
Fines, Licenses and Permits	238,521	650	0	239,171
Miscellaneous	39,585	0	0	39,585
<b>Total Cash Receipts</b>	<b>599,719</b>	<b>88,994</b>	<b>212,469</b>	<b>901,182</b>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	407,835	0	0	407,835
Community Environment	2,110	0	0	2,110
Leisure Time Activities	32,351	0	0	32,351
Transportation	201	67,893	0	68,094
General Government	225,046	0	0	225,046
Capital Outlay	36,461	1,500	253,480	291,441
<b>Debt Service:</b>				
Principal Retirement	0	10,000	0	10,000
Interest and Fiscal Charges	0	244	0	244
<b>Total Cash Disbursements</b>	<b>704,004</b>	<b>79,637</b>	<b>253,480</b>	<b>1,037,121</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(104,285)</b>	<b>9,357</b>	<b>(41,011)</b>	<b>(135,939)</b>
<b>Other Financing Receipts (Disbursements):</b>				
Other Debt Proceeds	36,461	0	0	36,461
Transfers In	0	1,000	0	1,000
Advances In	6,800	0	0	6,800
Transfers Out	(1,000)	0	0	(1,000)
Advances Out	(6,800)	0	0	(6,800)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>35,461</b>	<b>1,000</b>	<b>0</b>	<b>36,461</b>
<b>Net Change in Fund Cash Balances</b>	<b>(68,824)</b>	<b>10,357</b>	<b>(41,011)</b>	<b>(99,478)</b>
<b>Fund Cash Balances, January 1</b>	<b>118,201</b>	<b>45,740</b>	<b>124,370</b>	<b>288,311</b>
Restricted	0	55,568	0	55,568
Committed	0	0	83,359	83,359
Assigned	12,723	529	0	13,252
Unassigned	36,654	0	0	36,654
<b>Fund Cash Balances, December 31</b>	<b>\$49,377</b>	<b>\$56,097</b>	<b>\$83,359</b>	<b>\$188,833</b>

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*  
*Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2015*

	Proprietary Fund Type	Fiduciary Fund Types	(Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$836,563	\$0	\$836,563
Total Operating Cash Receipts	836,563	0	836,563
Operating Cash Disbursements:			
Personal Services	315,379	0	315,379
Employee Fringe Benefits	161,523	0	161,523
Contractual Services	213,909	0	213,909
Supplies and Materials	105,224	0	105,224
Other	5,928	0	5,928
Total Operating Cash Disbursements	801,963	0	801,963
Operating Income	34,600	0	34,600
Non-Operating Cash Receipts (Disbursements):			
Special Assessments	53,977	0	53,977
Principal Retirement	(26,593)	0	(26,593)
Interest and Fiscal Charges	(18,216)	0	(18,216)
Capital Outlay	(5,667)	0	(5,667)
Other Financing Sources	0	227,909	227,909
Other Financing Uses	0	(237,453)	(237,453)
Total Non-Operating Cash Receipts (Disbursements)	3,501	(9,544)	(6,043)
Income (Loss) Before Interfund Advances	38,101	(9,544)	28,557
Advances In	6,800	0	6,800
Advances Out	(6,800)	0	(6,800)
Net Change in Fund Cash Balances	38,101	(9,544)	28,557
Fund Cash Balances, January 1	124,813	22,542	147,355
Fund Cash Balances, December 31	\$162,914	\$12,998	\$175,912

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 Years Ended December 31, 2016 and 2015*

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**Note 1 – 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) - formerly known as the Ohio Government Risk Management Plan, (the Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (Members). 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 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.

**Deposits and Investments**

The Village has no investments.

**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.

*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 Fund:

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

**Village of Coal Grove**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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.

**Budgetary Process**

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

*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.

**Village of Coal Grove**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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 2016 and 2015 budgetary activity appears in Note 3.

**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.

*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.



**Village of Coal Grove**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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.

**Property, Plant, and Equipment**

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

**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.

**Note 2 – Equity in Pooled Deposits**

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

	2015	2016
Demand Deposits	\$364,745	\$284,766

*Deposits:* Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$607,400	\$578,653	(\$28,747)
Special Revenue	268,200	143,301	(124,899)
Capital Projects	251,713	397,719	146,006
Enterprise	901,200	913,382	12,182
Total	\$2,028,513	\$2,033,055	\$4,542

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$579,716	\$586,149	(\$6,433)
Special Revenue	299,699	163,088	136,611
Capital Projects	310,712	400,593	(89,881)
Enterprise	969,000	970,797	(1,797)
Total	\$2,159,127	\$2,120,627	\$38,500

**Village of Coal Grove**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 3 – Budgetary Activity (Continued)**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$642,980	\$642,980
Special Revenue	0	89,994	89,994
Capital Projects	0	212,469	212,469
Enterprise	0	897,340	897,340
Total	\$0	\$1,842,783	\$1,842,783

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$724,527	(\$724,527)
Special Revenue	0	91,029	(91,029)
Capital Projects	0	257,680	(257,680)
Enterprise	0	895,334	(895,334)
Total	\$0	\$1,968,570	(\$1,968,570)

**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.

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.

**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.

**Village of Coal Grove**  
**Lawrence County**  
*Notes to the Financial Statements*  
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**Note 6 – Interfund Balances**

The Village has one material outstanding advance not repaid as of December 31, 2016. Advance #21, an interfund advance of \$10,000 from the General Fund (1000) to the Water Operating Fund (5101) for purposes of operating the water department and completing end-of-year payroll, is still open and has not been repaid. Village council plans to increase water service fees and will subsequently repay the advance in 2017 once the Water Operating Fund (5101) can be self-sustaining.

**Note 7 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
1990 Special Assessments Bond	\$228,700	5.00%
2010 OWDA Loan (5252)	70,967	0.00%
2012 OWDA Loan (5824)	242,066	2.00%
2015 Community First National Lease	29,728	12.28%
2016 Lawrence County Treasurer Fire Truck Bond	99,500	2.25%
2014 OPWC Loan (CT63R)	7,245	6.00%
Total	\$678,206	

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.

The bond anticipation note originated for \$150,000 for the purchase of a wood chipper, a tractor, and to pave streets in disrepair. A \$10,000 payment to principal plus the interest is paid each year. The bond anticipation note is backed by the full faith and credit of the Village and matured in 2015.

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, 2016, the Village has drawn \$7,245 of these funds. Since the loan has yet to be fully drawn, 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.

**Village of Coal Grove**  
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**Note 7 – Debt (Continued)**

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 loans, including interest, is scheduled as follows:

Year Ending December 31:	OWDA	Special Assessment Bonds	Lease	Fire Truck Bond
2017	\$15,185	\$29,635	\$8,188	\$26,339
2018	15,185	29,625	8,188	26,297
2019	15,185	29,500	8,188	26,243
2020	15,185	29,620	8,188	26,279
2021	15,185	29,620	0	0
2022-2026	75,923	148,095	0	0
2027-2031	75,923	29,690	0	0
2032-2036	75,923	0	0	0
2037-2041	75,923	0	0	0
2042	1,552	0	0	0
Total	<u>\$381,169</u>	<u>\$325,785</u>	<u>\$32,752</u>	<u>\$105,158</u>

**Note 8 - 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 2016, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2016, 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, 2016.

**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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 and 772 members as of December 31, 2016 and 2015, respectively.

**Village of Coal Grove**  
**Lawrence County**  
*Notes to the Financial Statements*  
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**Note 9 – Risk Management (Continued)**

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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Assets	\$14,765,712	\$14,643,667
Liabilities	<u>(9,531,506)</u>	<u>(9,112,030)</u>
Members' Equity	<u>\$5,234,206</u>	<u>\$5,531,637</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 10 – Construction and Contractual Commitments**

The Village awarded bids in 2016 for construction contracts related to Phase III Water Plant Improvements using grant and loan money through Ohio Public Works Commission. A contract was awarded to McDaniel Electric of Huntington, WV with the bid amount being \$73,200 for Electric Service Replacement at the Water Plant. Phase III is expected to be completed in Spring of 2017.

**Note 11 – 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 are currently negotiating with the I.R.S. on all aforementioned cases, but a final determination has not yet been made.

The Village is not currently party to any legal proceedings.

**Note 12 – Subsequent Event**

In 2014, the Village was awarded a \$300,000 grant and a \$127,000 loan from OPWC for the purpose of water system improvements. Only \$7,245 of the loan proceeds were spent in 2016 and all of the grant proceeds were spent as of the end of 2016. The Village spent the remaining loan proceeds in 2017.

**Note 13 – Compliance**

The Village did not properly maintain the minute book for 2015, which is contrary to Ohio Revised Code Section 733.27(A) and Section 121.22(C).

**Village of Coal Grove**  
**Lawrence County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 13 – Compliance (Continued)**

The Village did not properly maintain accounting records, which included inaccurate/incomplete bank reconciliations, unrecorded financial transactions, and various errors in financial transactions entered into the accounting system, which is contrary to Ohio Revised Code Section 733.28 and Ohio Administrative Code Section 117-2-02-(A).

The Village did not properly report payroll information or remit retirement withholdings/contributions to its Retirement Systems, which is contrary to Ohio Revised Code Section 145.47(B).

The Village did not properly certify funds prior to commitment of purchase for several transactions, which is contrary to Ohio Revised Code Section 5705.41(D).

The Village did not adopt an annual appropriation measure for 2015, which is contrary to Ohio Revised Code Section 5705.38(A) and Section 5705.38(C).

The Village had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).

**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 years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 13, 2017, 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. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as non-payroll disbursements for the general, special revenue and enterprise funds and miscellaneous receipts for the general fund for the year ended December 31, 2015.

**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.

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. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2016-002, 2016-003, and 2016-005 through 2016-010 that we consider to be material weaknesses.

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*

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### **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 2016-001 through 2016-004, 2016-009 and 2016-010.

### **Village' 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

November 13, 2017



**Village of Coal Grove**  
**Lawrence County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2016 and 2015*

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

**Finding 2016-001 – 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.

During the course of testing, we noted that the Village minute book did not contain minutes for several of the meetings held by Council in 2015. 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 resolutions and ordinances were not prepared, filed and maintained in the respective resolution and ordinance books. We noted that the Village does not document which members were present when there is a lack of quorum, however these members appear to still receive payment for those meetings.

Failure to maintain a sufficiently detailed minute record, in addition to records of resolutions and ordinances, 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, resolutions, and ordinances reflect all official actions of Council in sufficient detail, including being signed by the Mayor and Fiscal Officer after Council approval.

*Client Response:*

The current fiscal officer has complied with ORC since taking office in September of 2015.

**Finding 2016-002 –Noncompliance/Material Weakness –Bank Reconciliations and Financial Reporting**

Ohio Revised Code Section 733.28 requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. Ohio Administrative Code Section 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Administrative Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

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

**Village of Coal Grove**  
**Lawrence County**  
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**Finding 2016-002 – Noncompliance/Material Weakness –Bank Reconciliations and Financial Reporting (Continued)**

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

Bank Reconciliations Inaccuracies

The Village utilizes the UAN accounting system which provides all of the required journals and ledgers. The UAN software also includes a monthly reconciliation process to assist the Fiscal officer in the monthly book to bank reconciliations. However, the monthly reconciliations included in the accounting records were not accurate. The Village was not reconciled throughout the year as there were receipts and disbursements not recorded within the system. The Village contracted with Local Government Services to perform a proof of cash to get the Village reconciled as of year-end. During testing, we also noted that the Mayor's Court, the water and the payroll tax clearing accounts were not reconciled throughout the year.

Errors in Financial Reporting

During the course of testing, we noted the Fiscal Officer recorded various receipts and disbursements in incorrect funds or classifications. In addition, we noted a number of receipts and disbursements were not recorded and instances of double-posting of some receipts and disbursements. The accompanying financial statements were adjusted to reflect correction of the various errors identified during audit and the auditor confirmed corrections was made to the accounting system for applicable items.

The Village should implement procedures to ensure that financial records and the financial statements are properly presented.

*Client Response:*

The Fiscal Officer will work to implement additional monitoring procedures.

**Finding 2016-003 – Noncompliance/Material Weakness – Retirement Reports and Remittances**

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

During the course of testing, we noted that Ohio Public Employees Retirement System payroll report for the month of May 2015 was not submitted until July 6, 2015, the payroll report for June 2015 was not submitted until September 16, 2015, the payroll report for September 2015 was not submitted until November 2, 2015, and the payroll report for October 2015 was not submitted until December 2, 2015. In addition, the withholdings (including both the employee and employer share) for May 2015 were not remitted until July 6, 2015, the withholdings for June 2015 were not remitted until September 16, 2015, the withholdings for September 2015 were not remitted until November 2, 2015, and the withholdings for October 2015 were not remitted until December 2, 2015 via electronic fund transfer.

**Village of Coal Grove**  
**Lawrence County**  
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**Finding 2016-003 – Noncompliance/Material Weakness – Retirement Reports and Remittances (Continued)**

In addition, the Ohio Police and Fire Pension Fund payroll reports for the months of January and March 2016 were not submitted until March 2, 2016 and May 2, 2016 respectively, the reports for April and May 2015 were not submitted until July 30, 2015, and the reports for July, August and September 2015 were not submitted until November 2, 2015. Also, the withholdings (including both the employee and employer share) for January and March 2016 were not remitted until March 2, 2016 and May 2, 2016 respectively, the withholdings for April and May 2015 were not remitted until July 30, 2015, and the withholdings for July, August and September 2015 were not remitted until November 2, 2015.

The Village should implement procedures to ensure the Fiscal Officer files the required reports and remits the necessary payments when he completes the payroll for the last pay period of the month. This will ensure the Village does not incur unnecessary penalties and interest.

*Client Response:*

The current fiscal officer has worked diligently to insure compliance with filing and remittance deadlines of OPERS as well as OP&FPF.

**Finding 2016-004 – 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 he is completing his 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 did not properly certify the availability of funds for several of the disbursements tested. 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. 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.

**Village of Coal Grove**  
**Lawrence County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2016 and 2015*

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**Finding 2016-005 – 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.

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. For 2015 and 2016, estimated revenue and appropriations recorded in the accounting system did not agree to the certificate of estimated resources or appropriations measures throughout the year. In addition, we noted various other budgetary compliance issues which have been separately reported for this audit. 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 2016-006 – Material Weakness – Payroll Items**

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

During the course of testing, we noted the following deficiencies in the payroll process:

- Sick and vacation leave balances were not monitored within the payroll system to ensure that all leave earned and taken was properly calculated.
- Timesheets could not be located for any employees from January 1, 2015 through March 13, 2015
- Retirement reports/withholdings were not timely filed/remitted to the Ohio Public Employers Retirement System and the Ohio Police & Fire Pension Fund which resulted in penalties and interest charges.
- The Village did not have a policy for accrual and use of compensatory time and overtime.

The Village should implement various operating and monitoring procedures to ensure that the above weaknesses, and any other unidentified weaknesses within the payroll process, are timely and sufficiently addressed.

*Client Response:*

The current fiscal officer has worked to insure compliance since taking office in September of 2015. Fiscal officer and Council are working on comp time policy to be passed by formal legislation within the coming months.

**Village of Coal Grove**  
**Lawrence County**  
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**Finding 2016-007 – 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 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 2016-008 – Material Weakness – 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:

- Twenty-seven instances where non-payroll disbursements made in 2015 had incomplete supporting documentation. The Village was unable to obtain copies of invoices from vendors for all of those invoices.
- Payroll testing showed timesheets were not always maintained; and the Ohio IT3 form and BWC premium remittance documentation was not maintained.

Failure to maintain supporting documentation subjects the Village to the risk of inaccurate or improper payments, and results in an insufficient audit trail and the possibility of findings for recovery. The Village should implement procedures to ensure that supporting documentation for all receipts and disbursements is properly maintained.

*Client Response:*

The Fiscal Officer will comply and maintain all appropriate documentation.

**Village of Coal Grove**  
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**Finding 2016-009 – Noncompliance/Material Weakness – Adoption of Appropriations**

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.”

The Village Council did not adopt, or file with the County temporary appropriations, final appropriations or estimated resources in 2015. The Village Council should pass an appropriation measure on or about the first day of each fiscal year. If the Village adopts a temporary measure, they must adopt a permanent measurer no later than April 1. In addition, approved appropriation measurers should be filed with the Lawrence County Auditor’s office for the approval of the Budget Commission.

Client Response:

The Fiscal Officer will comply in accordance to ORC.

**Finding 2016-010 – Noncompliance/Material Weakness –Appropriation Authority/Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2015 the Village Council did not adopt appropriations, therefore, all expenditures lacked appropriation authority. Also, during 2015 and 2016, actual disbursements exceeded appropriations in multiple Village funds. The Village Council should adopt appropriations and file them with the County Auditor timely. Further, the Village should monitor financial activity to ensure their expenditures do not exceed the amount appropriated.

Client Response:

The current Fiscal Officer has insured compliance with ORC since taking office in September of 2015.

**Village of Coal Grove**  
**Lawrence County**  
*Schedule of Prior Audit Findings*  
For the Years Ended December 31, 2016 and 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Noncompliance Citation – Ohio Revised Code (ORC) Sections 733.27(A) and 121.22(C) – Maintenance of Minutes, Resolutions, and Ordinances	No	Reissued as 2016-001
2014-002	Noncompliance Citation/Material Weakness – ORC Section 733.28 and Ohio Administrative Code (OAC) Section 117-2-02(A) – Inaccurate Bank Reconciliations and Accounting Records/Financial Statements	No	Reissued as 2016-002
2014-003	Noncompliance Citation/Material Weakness – ORC Section 145.47(B) – Proper Filing of Reports and Remittance of Withholdings to Retirement Systems	No	Reissued as 2016-003
2014-004	Noncompliance Citation – ORC Section 5709.39 – Appropriations in Excess of Estimated Resources	Yes	
2014-005	Noncompliance Citation – ORC Section 5705.41(D) – Prior Certification of Funds	No	Reissued as 2016-004
2014-006	Material Weakness – Budgetary Information Within the Accounting System	No	Reissued as 2016-005
2014-007	Noncompliance Citation – Failure of Fiscal Officer to Provide Proper Management Reports in Accordance with November 12, 2012 Resolution	Yes	
2014-008	Material Weakness – Deficiencies in Payroll Cycle	No	Reissued, in Part, as 2016-006
2014-009	Material Weakness – Old Outstanding Advances	No	Reissued as 2016-007
2014-010	Material Weakness – Maintenance of Documentation	No	Reissued as 2016-008

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# Dave Yost • Auditor of State

VILLAGE OF COAL GROVE

LAWRENCE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 26, 2017