



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

---

VILLAGE OF COALTON  
JACKSON COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2016 and 2015  
Fiscal Years Audited Under GAGAS: 2016 and 2015

---

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920  
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319  
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

[www.bhmcpagroup.com](http://www.bhmcpagroup.com)





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Coalton, Jackson County, prepared by BHM CPA Group, 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 Coalton is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 31, 2017

**This page intentionally left blank.**

**VILLAGE OF COALTON  
JACKSON COUNTY, OHIO**

*Table of Contents*  
*For the Fiscal Years Ended December 31, 2016 and 2015*

---

<b>Title</b>	<b>Page</b>
Independent Auditor's Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances – Governmental Funds – For the Year Ended December 31, 2016 .....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances – Proprietary and Fiduciary Funds – For the Year Ended December 31, 2016 .....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances – Governmental Funds – For the Year Ended December 31, 2015 .....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances – Proprietary and Fiduciary Funds – For the Year Ended December 31, 2015 .....	6
Notes to the Financial Statements .....	7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	16
Schedule of Prior Audit Findings .....	18

**This page intentionally left blank.**



**Independent Auditor's Report**

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

To the Village Council:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balance, receipts, and disbursements by fund type and related notes of the Village of Coalton, Jackson County, (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 opinion.

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

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

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 us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Coalton, Jackson County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2017, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* in considering the Village's internal control over financial reporting and compliance.



BHM CPA Group Inc.  
Piketon, Ohio  
April 27, 2017



**VILLAGE OF COALTON  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 26,620	\$ -	\$ 26,620
Intergovernmental	41,845	67,992	109,837
Charges for Services	-	42,290	42,290
Fines, Licenses, and Permits	18,363	-	18,363
Earnings on Investments	64	-	64
	<u>86,892</u>	<u>110,282</u>	<u>197,174</u>
<b>Total Cash Receipts</b>	<u>86,892</u>	<u>110,282</u>	<u>197,174</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	44,363	39,185	83,548
Public Health Service	-	2,770	2,770
Leisure Time Activities	-	1,383	1,383
Basic Utility Services	-	12,265	12,265
Transportation	-	9,660	9,660
General Government	37,141	82,626	119,767
	<u>81,504</u>	<u>147,889</u>	<u>229,393</u>
<b>Total Cash Disbursements</b>	<u>81,504</u>	<u>147,889</u>	<u>229,393</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	5,388	(37,607)	(32,219)
<b>Other Financing Receipts (Disbursements):</b>			
Sale of Fixed Assets	4,235	-	4,235
Transfers-In	10,574	19,694	30,268
Transfers-Out	(19,694)	(17,692)	(37,386)
	<u>(4,885)</u>	<u>2,002</u>	<u>(2,883)</u>
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(4,885)</u>	<u>2,002</u>	<u>(2,883)</u>
<b>Extraordinary Item</b>			
FEMA Grant Reimbursement from Flooding	1,456	41,923	43,379
	<u>1,456</u>	<u>41,923</u>	<u>43,379</u>
<i>Net Change in Fund Cash Balances</i>	1,959	6,318	8,277
Fund Cash Balances, January 1	91,244	233,303	324,547
	<u>91,244</u>	<u>233,303</u>	<u>324,547</u>
Restricted	-	239,621	239,621
Unassigned	93,203	-	93,203
	<u>93,203</u>	<u>-</u>	<u>93,203</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 93,203</u>	<u>\$ 239,621</u>	<u>\$ 332,824</u>

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH FUND BALANCES - PROPRIETARY AND FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 292,868	\$ -	\$ 292,868
Total Operating Cash Receipts	292,868	-	292,868
<b>Operating Cash Disbursements</b>			
Personal services	41,326	-	41,326
Fringe benefits	8,959	-	8,959
Contractual services	121,354	-	121,354
Supplies and Materials	16,399	-	16,399
Other	1,250	-	1,250
Total Operating Cash Disbursements	189,288	-	189,288
<i>Operating Income (Loss)</i>	103,580	-	103,580
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	18,310	-	18,310
Debt Proceeds	23,627	-	23,627
Capital Outlay	(9,875)	-	(9,875)
Debt Service:			
Principal	(69,507)	-	(69,507)
Interest	(35,505)	-	(35,505)
Other Non-operating Receipts	-	22,842	22,842
Other Non-operating Disbursements	-	(23,042)	(23,042)
Total Non-Operating Receipts (Disbursements)	(72,950)	(200)	(73,150)
<i>Income (Loss) Before Transfers</i>	30,630	(200)	30,430
<b>Transfers</b>			
Transfers-In	112,970	-	112,970
Transfers-Out	(105,852)	-	(105,852)
Total Transfers	7,118	-	7,118
<b>Extraordinary Item</b>			
FEMA Grant from Flooding	3,365	-	3,365
<i>Net Change in Fund Cash Balances</i>	41,113	(200)	40,913
Fund Cash Balances, January 1	163,227	1,523	164,750
<b>Fund Cash Balances, December 31</b>	<u>\$ 204,340</u>	<u>\$ 1,323</u>	<u>\$ 205,663</u>

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 29,842	\$ -	\$ 29,842
Intergovernmental	40,915	49,322	90,237
Charges for Services	-	27,316	27,316
Fines, Licenses, and Permits	6,635	-	6,635
Earnings on Investments	-	149	149
Miscellaneous	90	4,920	5,010
	<u>77,482</u>	<u>81,707</u>	<u>159,189</u>
<b>Total Cash Receipts</b>			
	<u>77,482</u>	<u>81,707</u>	<u>159,189</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons & Property	36,350	23,564	59,914
Public Health Service	-	867	867
Leisure Time Activities	-	3,140	3,140
Basic Utility Services	-	14,158	14,158
General Government	34,734	22,287	57,021
	<u>71,084</u>	<u>64,016</u>	<u>135,100</u>
<b>Total Cash Disbursements</b>			
	<u>71,084</u>	<u>64,016</u>	<u>135,100</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	6,398	17,691	24,089
<b>Extraordinary Item</b>			
Proceeds from Insurance	17,180	21,472	38,652
	<u>17,180</u>	<u>21,472</u>	<u>38,652</u>
<i>Net Change in Fund Cash Balances</i>	23,578	39,163	62,741
Fund Cash Balances, January 1	67,666	194,140	261,806
	<u>67,666</u>	<u>194,140</u>	<u>261,806</u>
Restricted	-	233,303	233,303
Unassigned	91,244	-	91,244
	<u>91,244</u>	<u>-</u>	<u>91,244</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 91,244</u>	<u>\$ 233,303</u>	<u>\$ 324,547</u>

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH FUND BALANCES - PROPRIETARY AND FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 280,471	\$ -	\$ 280,471
Miscellaneous	125	-	125
Total Operating Cash Receipts	280,596	-	280,596
<b>Operating Cash Disbursements</b>			
Personal services	44,237	-	44,237
Fringe benefits	6,283	-	6,283
Contractual services	132,078	-	132,078
Supplies and Materials	12,064	-	12,064
Total Operating Cash Disbursements	194,662	-	194,662
<i>Operating Income (Loss)</i>	85,934	-	85,934
<b>Non-Operating Receipts (Disbursements)</b>			
Capital Outlay	(1,885)	-	(1,885)
Debt Service:			
Principal	(72,425)	-	(72,425)
Interest	(37,161)	-	(37,161)
Other Non-operating Receipts	-	7,738	7,738
Other Non-operating Disbursements	-	(6,673)	(6,673)
Total Non-Operating Receipts (Disbursements)	(111,471)	1,065	(110,406)
<i>Income (Loss) Before Transfers and Advances</i>	(25,537)	1,065	(24,472)
<b>Transfers and Advances</b>			
Transfers-In	56,973	-	56,973
Transfers-Out	(56,973)	-	(56,973)
Total Transfers and Advances	-	-	-
<i>Net Change in Fund Cash Balances</i>	(25,537)	1,065	(24,472)
Fund Cash Balances, January 1	188,764	458	189,222
<b>Fund Cash Balances, December 31</b>	<b>\$ 163,227</b>	<b>\$ 1,523</b>	<b>\$ 164,750</b>

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

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

**D. Fund Accounting**

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

**1. General Fund:**

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

**2. Special Revenue Funds:**

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

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**3. Special Revenue Funds (continued):**

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

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

**4. Enterprise Funds:**

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

*Water Fund* – This fund receives charges for services from residents to cover the cost of providing water services.

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

**5. Fiduciary Funds (Agency Fund):**

Fiduciary funds include an agency fund, which is purely custodial in nature and used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency fund accounts for Mayor’s Court activity.

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**E. Budgetary Process (continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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

**F. Fund Balance (continued)**

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant and Equipment**

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

**H. Accumulated Leave**

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

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

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

	<u>2016</u>	<u>2015</u>
Demand deposits	\$533,888	\$473,627
Certificates of deposit	<u>4,599</u>	<u>15,670</u>
Total deposits:	<u>\$538,487</u>	<u>\$489,297</u>

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



**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2016 and December 31, 2015, was as follows:

**2016 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$68,000	\$103,157	\$35,157
Special Revenue	74,900	171,899	96,999
Enterprise	<u>371,408</u>	<u>447,775</u>	<u>76,367</u>
Total	<u>\$514,308</u>	<u>\$722,831</u>	<u>\$208,523</u>

**2016 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$100,806	\$101,198	\$(392)
Special Revenue	165,516	165,581	(65)
Enterprise	<u>409,249</u>	<u>410,027</u>	<u>(778)</u>
Total	<u>\$675,571</u>	<u>\$676,806</u>	<u>\$(1,235)</u>

**2015 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$83,000	\$94,662	\$11,662
Special Revenue	71,169	103,179	32,010
Enterprise	<u>264,150</u>	<u>337,569</u>	<u>73,419</u>
Total	<u>\$418,319</u>	<u>\$535,410</u>	<u>\$117,091</u>

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**3. BUDGETARY ACTIVITY (CONTINUED)**

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$ 70,876	\$ 71,084	\$ (208)
Special Revenue	64,290	64,016	274
Enterprise	<u>362,818</u>	<u>363,106</u>	<u>(288)</u>
Total	<u>\$497,984</u>	<u>\$498,206</u>	<u>\$ (222)</u>

**4. PROPERTY TAX**

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

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

**5. DEBT**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds (FmHA)	\$168,600	5.00%
OWDA #6054*	869,964	1.50%
OPWC CT38J	260,000	0.00%
OPWC CO04N	270,000	0.00%
Mortgage Revenue Bonds (USDA)	<u>580,928</u>	2.375%
Total	<u>\$2,149,492</u>	

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

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**5. DEBT (CONTINUED)**

Ohio Water Development Authority (OWDA) loan #6054, initially approved for \$970,000, is for the Waterline Replacement Project. The loan activity is reflected in the Water Enterprise Fund which received the proceeds and will repay the debt.

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

Ohio Public Works Commission (OPWC) loan #CO04N, initially approved for \$300,000, is for the Water Distribution System Renovations Project. As of December 31, 2016, the Village had drawn the full amount of the loan. The loan activity is reflected in the Water Enterprise Fund which received the proceeds of the debt. Annual payments of \$5,000 are due throughout the term of the loan beginning in 2014 and ending on January 1, 2043.

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

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

Year Ending	FmHA Revenue Bonds	OPWC CT38J	OPWC CO04N	USDA Revenue Bonds	OWDA 6054
December 31:					
2017	24,197	10,000	16,250	23,396	39,253
2018	24,250	10,000	16,250	23,370	39,253
2019	24,442	10,000	16,250	24,094	39,253
2020	24,638	10,000	16,250	25,025	39,253
2021	24,933	10,000	16,250	25,832	39,253
2022-2026	74,826	50,000	81,250	92,550	196,266
2027-2031	81,141	50,000	81,250	26,970	196,266
2032-2036	89,663	50,000	16,250	-	196,266
2037-2041	99,056	50,000	-	-	196,266
2042-2046	109,728	10,000	-	-	58,880
2047-2051	121,569	-	-	-	-
2052-2056	34,809	-	-	-	-
2057-2059	-	-	-	-	-
	<u>733,252</u>	<u>260,000</u>	<u>260,000</u>	<u>241,237</u>	<u>1,040,209</u>

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. From January 1, 2015 through June 30, 2015, OP&F participants contributed 10% of their wages, from July 1, 2015 through June 30, 2016, OP&F participants contributed 10.75% of their wages, from July 1, 2016 through December 31, 2016, OP&F participants contributed 11.5% of their wages. The Village contributed an amount equal to 19.5% of police participant wages and 21% of fire fighters wages. PERS members contributed 10% of gross wages. The Village contributed an amount equal to 14% of participants' gross wages. The Village has paid all contributions required through December 31, 2016.

**7. RISK MANAGEMENT**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

**VILLAGE OF COALTON  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**7. RISK MANAGEMENT (CONTINUED)**

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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

<b><u>Contributions to PEP</u></b>	
<b><u>2015</u></b>	<b><u>2016</u></b>
\$15,324	\$14,447

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

**8. CONTINGENT LIABILITIES**

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

**9. EXTRAORDINARY ITEMS**

Extrordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. During 2015 the Village experienced a flood that caused damage to several of the Villages assets. During 2015, the Village received \$38,652 in insurance proceeds from flood damage. In 2016, the Village received \$43,379 in FEMA money for 75% of the expenses related to the flood in 2015.

**10. INTERFUND ACTIVITY**

During 2016 transfers were made from the FEMA fund to the General fund in the amount of \$10,574 and the Water Fund in the amount of \$7,118 to reimburse these funds for cost incurred during the flood. These transfers were compliant with the Ohio Revised Code.



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

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Coalton, Jackson County, (the Village) as of and for the years ended December 31, 2016 and 2015 and the related notes to the financial statements, and have issued our report thereon dated April 27, 2017, wherein we noted the Village followed financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A significant deficiency is a deficiency, or 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

*BHM CPA Group*

BHM CPA Group, Inc.  
Piketon, Ohio  
April 27, 2017

**VILLAGE OF COALTON  
JACKSON COUNTY**

**Schedule of Prior Audit Findings  
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; Explain:
2014-001	Material Weakness – Financial Reporting	Yes	
2014-002	ORC 5705.41(B) – Expenditures in Excess of Appropriations	Yes	
2014-003	Material Weakness – Budgetary Information in UAN	Yes	





# Dave Yost • Auditor of State

VILLAGE OF COALTON

JACKSON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JUNE 13, 2017