



**Auditor of State
Betty Montgomery**

VILLAGE OF COAL GROVE
LAWRENCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets – Cash Basis – December 31, 2005	11
Statement of Activities – Cash Basis – For the Year Ended December 31, 2005.....	12
Statement of Cash Basis Assets and Fund Balances Governmental Funds – December 31, 2005.....	14
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances Governmental Funds – For the Year Ended December 31, 2005.....	15
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual - Budget Basis - General Fund For the Year Ended December 31, 2005	16
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual - Budget Basis - Street Construction Fund For the Year Ended December 31, 2005	17
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual - Budget Basis - State Grants Fund For the Year Ended December 31, 2005	18
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual - Budget Basis - Light Special Revenue Fund For the Year Ended December 31, 2005	19
Statement of Fund Net Assets – Cash Basis Proprietary Funds – December 31, 2005.....	20
Statement of Cash Receipts, Disbursements, and Changes in Fund Net Assets – Cash Basis Proprietary Funds – For the Year Ended December 31, 2005.....	21
Statement of Fiduciary Net Assets – Cash Basis Fiduciary Fund – December 31, 2005	22
Notes to the Basic Financial Statements	23
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	37
Schedule of Findings.....	39
Schedule of Prior Audit Findings.....	41

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Coal Grove, Lawrence County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Coal Grove, Lawrence County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street Construction, Light Special Revenue and State Grants Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 17, 2006

Village of Coal Grove, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Village of Coal Grove, Ohio's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$705, an insignificant change from the prior year.

The Village's general receipts are primarily property and income taxes. These receipts represent respectively 5.9 and 24 percent of the total received for governmental activities during the year. Property tax receipts for 2005 changed somewhat due to a County wide revaluation that raised the values and therefore tax values for most properties. Municipal income tax receipts increased \$15,377. The Village did have three new businesses built in 2004 that are showing some profit for 2005 for the tax base.

The water operation had an increase in net assets of approximately \$100,000 due to the increase in rates for improvements at the water treatment plant. The sewer operating budget ended 2005 with enough to make the construction loan payment the 1st of 2006 without needing an advance from the general fund. The garbage operating budget broke even.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Coal Grove, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has three business-type activities, the provision of water, sewer, and garbage removal. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Village of Coal Grove, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Village's major governmental funds are the General Fund, Street Construction Fund, State Grants Fund, and Light Special Revenue Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major proprietary funds are the Water Operating Fund and the Sewer Operating Fund. When the services are provided to other department of the Village, the service is reported as an internal service fund. The Village had no internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets						
Cash and Cash Equivalents	\$140,780	\$141,485	\$311,875	\$179,061	\$452,655	\$320,546
Total Assets	<u>\$140,780</u>	<u>\$141,485</u>	<u>\$311,875</u>	<u>\$179,061</u>	<u>\$452,655</u>	<u>\$320,546</u>
Net Assets						
Restricted for:						
Other Purposes	\$129,619	\$129,035			\$129,619	\$129,035
Unrestricted	11,161	12,450	\$311,875	\$179,061	323,036	191,511
Total Net Assets	<u>\$140,780</u>	<u>\$141,485</u>	<u>\$311,875</u>	<u>\$179,061</u>	<u>\$452,655</u>	<u>\$320,546</u>

As mentioned previously, net assets of governmental activities decreased \$705 during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Increases in salaries of \$.65 per hour for all employees based on current negotiated agreements.
- The Village had several streets that were in very poor condition that needed extensive repairs costing in excess of \$100,000. The Village obtained money from Issue II grants from Lawrence County but had to pay a \$10,000 matching fund payment.
- In 2005, the Village made a matching fund payment on the FEMA grant for fire safety equipment in the amount of \$12,000.
- Three employees were called back to work that were laid off for the entire year of 2004 raising the amount of payroll significantly.

Village of Coal Grove, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)

Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business Type Activities 2005	Business Type Activities 2004
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$64,594	\$63,981	\$899,544	\$821,615
Operating Grants and Contributions	96,717	138,417		
Capital Grants and Contributions	175,586			
Total Program Receipts	<u>336,897</u>	<u>202,398</u>	<u>899,544</u>	<u>821,615</u>
General Receipts:				
Property Taxes	49,096	42,277		
Municipal Income Taxes	199,807	184,431		
Other Taxes	10,572	9,738		
Grants and Entitlements Not Restricted to Specific Programs	61,403	66,884		
Notes Issued	139,739	130,000		
Sale of Capital Assets	4,400			
Miscellaneous	33,069	9,773	2,402	1,541
Total General Receipts	<u>498,086</u>	<u>443,103</u>	<u>2,402</u>	<u>1,541</u>
Total Receipts	<u>834,983</u>	<u>645,501</u>	<u>901,946</u>	<u>823,156</u>
Disbursements:				
General Government	162,479	171,202		
Security of Persons and Property	254,090	209,643		
Community Development	155,847			
Leisure Time Activities	11,039	10,717		
Community Environment	742	1,144		
Transportation	78,265	53,211		
Capital Outlay	19,739			
Principal Retirement	149,739	140,000		
Interest and Fiscal Charges	3,748	3,430		
Water Operating			459,110	421,048
Sewer Operating			237,828	221,875
Other Enterprise Operating			72,194	71,179
Total Disbursements	<u>835,688</u>	<u>589,347</u>	<u>769,132</u>	<u>714,102</u>
Increase (Decrease) in Net Assets	(705)	56,154	132,814	109,054
Net Assets, January 1, 2004	<u>141,485</u>	<u>85,331</u>	<u>179,061</u>	<u>70,007</u>
Net Assets, December 31, 2004	<u><u>\$140,780</u></u>	<u><u>\$141,485</u></u>	<u><u>\$311,875</u></u>	<u><u>\$179,061</u></u>

Program receipts represent 71.2% of total receipts and are primarily comprised of restricted intergovernmental receipts such as grant monies, gas tax, fines & fees.

Village of Coal Grove, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General receipts represent 28.8% of the Village's total receipts, and of this amount, over 51.8% are taxes. State and federal grants and entitlements make up the balance of the Village's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Village Council, Village Clerk-Treasurer and income tax department, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of police and fire protection and street lighting; Leisure Time Activities are the costs of maintaining the parks and playing fields; the Community Environment department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for principal payments and security of persons and property, which account for 17.9 and 30.4 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 19.4 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services	Net Cost of Services
	2005	2005
General Government	\$162,479	(\$100,105)
Security of Persons and Property	254,090	(222,367)
Community Development	155,847	(155,847)
Leisure Time Activities	11,039	(9,744)
Community Environment	742	183
Transportation	78,265	(13,271)
Capital Outlay	19,739	155,847
Principal Retirement	149,739	(149,739)
Interest and Fiscal Charges	3,748	(3,748)
Total Expenses	\$835,688	(\$498,791)

The dependence upon property and income tax receipts is apparent as over 31 percent of governmental activities are supported through these general receipts.

Village of Coal Grove, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Business-type Activities

The water operation of the Village is relatively small and routinely reports receipts and cash disbursements that are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and how these will be funded. We have also received notification from the Ohio EPA that improvements may be necessary to satisfy new water quality standards.

The Village's Funds

Total governmental funds had receipts including other financing sources of \$834,983 and disbursements of \$835,688. The greatest change within governmental funds occurred within the Light Special Revenue Fund. The fund balance of the Light Special Revenue Fund increased \$17,228.

General Fund receipts were less than disbursements by \$1,289 indicating that the General Fund was in a deficit spending situation at the end of 2005. It was the recommendation of administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2006 including selling impounded vehicles to help with emergency services. These finances will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property and income taxes remains stagnant.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were equal to the original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$504,994 while actual disbursements were \$521,938. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts. The results was a decrease in fund balance of \$5,887 in 2005.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village's outstanding debt included an OWDA loan, a Special Assessment Bond and a Bond Anticipation Note. The total amount of debt outstanding was \$749,884. For further information regarding the Village's debt, refer to Note 11 and 12 to the basic financial statements.

Village of Coal Grove, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on local taxes and has very little industry to support the tax base. The newly prepared financial forecast predicts a reduction in receipts if the Village assistance is reduced. The Village had an account with another small water company to buy from it each month which ended December 31, 2005. This could result in a decrease in revenue. Based on unlikely increases in the Village's sources of revenue and the disbursement history, the Village asked the administrator to cut overtime hours for water and sewer employees and repairs be performed by the Village instead of using contractors.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Deborah J. Fields, Clerk-Treasurer, Village of Coal Grove, 513 Carlton-Davidson Ln, Coal Grove, OH 45638.

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Village of Coal Grove , Lawrence County

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$140,780	\$311,875	\$452,655
<i>Total Assets</i>	<u>\$140,780</u>	<u>\$311,875</u>	<u>\$452,655</u>
Net Assets			
Restricted for:			
Other Purposes	\$129,619	\$	\$129,619
Unrestricted	11,161	311,875	323,036
<i>Total Net Assets</i>	<u>\$140,780</u>	<u>\$311,875</u>	<u>\$452,655</u>

See accompanying notes to the basic financial statements

Village of Coal Grove , Lawrence County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$162,479	\$62,374	\$0	\$0
Security of Persons and Property	254,090		31,723	
Community Development	155,847			
Leisure Time Activities	11,039	1,295		
Community Environment	742	925		
Capital Outlay	19,739			175,586
Transportation	78,265		64,994	
Principal Retirement	149,739			
Interest and Fiscal Charges	3,748			
<i>Total Governmental Activities</i>	835,688	64,594	96,717	175,586
Business Type Activity				
Water Operating	459,110	569,332		
Sewer Operating	237,828	259,566		
Other Enterprise Operating	72,194	70,646		
<i>Total Business Type Activities</i>	769,132	899,544	0	0
Total	\$1,604,820	\$964,138	\$96,717	\$175,586

General Receipts

Property Taxes
Municipal Income Taxes
Other Taxes
Grants and Entitlements not Restricted to Specific Programs
Notes Issued
Sale of Capital Assets
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$100,105)	\$0	(\$100,105)
(222,367)		(222,367)
(155,847)		(155,847)
(9,744)		(9,744)
183		183
155,847		155,847
(13,271)		(13,271)
(149,739)		(149,739)
(3,748)		(3,748)
(498,791)	0	(498,791)
	110,222	110,222
	21,738	21,738
	(1,548)	(1,548)
0	130,412	130,412
(498,791)	130,412	(368,379)
49,096		49,096
199,807		199,807
10,572		10,572
61,403		61,403
139,739		139,739
4,400		4,400
33,069	2,402	35,471
498,086	2,402	500,488
(705)	132,814	132,109
141,485	179,061	320,546
<u>\$140,780</u>	<u>\$311,875</u>	<u>\$452,655</u>

Village of Coal Grove , Lawrence County
Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2005

	General	Street Construction	State Grants	Light Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$11,161	\$36,667	\$0	\$74,071	\$18,881	\$140,780
<i>Total Assets</i>	<u>\$11,161</u>	<u>\$36,667</u>	<u>\$0</u>	<u>\$74,071</u>	<u>\$18,881</u>	<u>\$140,780</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$4,596	\$145	\$0	\$0	\$0	\$4,741
Unreserved:						
Undesignated, Reported in:						
General Fund	6,565					6,565
Special Revenue Funds		36,522		74,071	18,881	129,474
<i>Total Fund Balances</i>	<u>\$11,161</u>	<u>\$36,667</u>	<u>\$0</u>	<u>\$74,071</u>	<u>\$18,881</u>	<u>\$140,780</u>

See accompanying notes to the basic financial statements

Village of Coal Grove , Lawrence County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Construction	State Grants	Light Special Revenue	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$24,142	\$	\$	\$24,954	\$	\$49,096
Municipal Income Taxes	199,808					199,808
Charges for Services	1,295					1,295
Fines, Licenses and Permits	72,721				1,150	73,871
Intergovernmental	40,877	74,684	155,847	4,780	57,517	333,705
Miscellaneous	33,069					33,069
<i>Total Receipts</i>	<u>371,912</u>	<u>74,684</u>	<u>155,847</u>	<u>29,734</u>	<u>58,667</u>	<u>690,844</u>
Disbursements						
Current:						
General Government	162,479					162,479
Security of Persons and Property	188,340			12,506	53,244	254,090
Community Development			155,847			155,847
Leisure Time Activities	11,039					11,039
Community Environment	742					742
Capital Outlay					19,739	19,739
Transportation	1,253	77,012				78,265
Debt Service:						
Principal Retirement	149,739					149,739
Interest and Fiscal Charges	3,748					3,748
<i>Total Disbursements</i>	<u>517,340</u>	<u>77,012</u>	<u>155,847</u>	<u>12,506</u>	<u>72,983</u>	<u>835,688</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(145,428)</u>	<u>(2,328)</u>	<u>0</u>	<u>17,228</u>	<u>(14,316)</u>	<u>(144,844)</u>
Other Financing Sources						
Notes Issued	139,739					139,739
Sale of Capital Assets	4,400					4,400
<i>Total Other Financing Sources</i>	<u>144,139</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>144,139</u>
<i>Net Change in Fund Balances</i>	<u>(1,289)</u>	<u>(2,328)</u>	<u>0</u>	<u>17,228</u>	<u>(14,316)</u>	<u>(705)</u>
<i>Fund Balances Beginning of Year</i>	<u>12,450</u>	<u>38,995</u>	<u>0</u>	<u>56,843</u>	<u>33,197</u>	<u>141,485</u>
<i>Fund Balances End of Year</i>	<u>\$11,161</u>	<u>\$36,667</u>	<u>\$0</u>	<u>\$74,071</u>	<u>\$18,881</u>	<u>\$140,780</u>

See accompanying notes to the basic financial statements

Village of Coal Grove, Lawrence County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$22,700	\$22,700	\$24,142	\$1,442
Municipal Income Taxes	185,025	185,025	199,808	14,783
Charges for Services	1,540	1,540	1,295	(245)
Fines, Licenses and Permits	78,038	78,038	72,721	(5,317)
Intergovernmental	48,192	48,192	40,877	(7,315)
Miscellaneous	144,400	144,400	33,069	(111,331)
<i>Total Receipts</i>	<u>479,895</u>	<u>479,895</u>	<u>371,912</u>	<u>(107,983)</u>
Disbursements				
Current:				
General Government	311,917	288,364	163,946	124,418
Security of Persons and Property	174,008	199,570	191,351	8,219
Leisure Time Activities	13,420	12,809	11,039	1,770
Community Environment	1,400	1,400	742	658
Transportation	2,000	2,851	1,373	1,478
Debt Service:				
Principal Retirement			149,739	(149,739)
Interest and Fiscal Charges			3,748	(3,748)
<i>Total Disbursements</i>	<u>502,745</u>	<u>504,994</u>	<u>521,938</u>	<u>(16,944)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,850)</u>	<u>(25,099)</u>	<u>(150,026)</u>	<u>(124,927)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets			4,400	4,400
Notes Issued			139,739	139,739
Transfers In	12,000	12,000		(12,000)
<i>Total Other Financing Sources (Uses)</i>	<u>12,000</u>	<u>12,000</u>	<u>144,139</u>	<u>132,139</u>
<i>Net Change in Fund Balance</i>	(10,850)	(13,099)	(5,887)	7,212
<i>Fund Balance Beginning of Year</i>	12,188	12,188	12,188	0
Prior Year Encumbrances Appropriated	264	264	264	0
<i>Fund Balance End of Year</i>	<u>\$1,602</u>	<u>(\$647)</u>	<u>\$6,565</u>	<u>\$7,212</u>

See accompanying notes to the basic financial statements

Village of Coal Grove, Lawrence County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$70,200	\$70,200	\$74,684	\$4,484
<i>Total Receipts</i>	70,200	70,200	74,684	4,484
Disbursements				
Current:				
Transportation	81,208	81,935	77,157	4,778
<i>Total Disbursements</i>	81,208	81,935	77,157	4,778
<i>Excess of Receipts Over (Under) Disbursements</i>	(11,008)	(11,735)	(2,473)	9,262
<i>Net Change in Fund Balance</i>	(11,008)	(11,735)	(2,473)	9,262
<i>Fund Balance Beginning of Year</i>	38,268	38,268	38,268	0
Prior Year Encumbrances Appropriated	727	727	727	0
<i>Fund Balance End of Year</i>	\$27,987	\$27,260	\$36,522	\$9,262

See accompanying notes to the basic financial statements

Village of Coal Grove, Lawrence County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
State Grants Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$0	\$157,278	\$155,847	(\$1,431)
<i>Total Receipts</i>	<u>0</u>	<u>157,278</u>	<u>155,847</u>	<u>(1,431)</u>
Disbursements				
Current:				
Community Development	0	167,880	155,847	12,033
<i>Total Disbursements</i>	<u>0</u>	<u>167,880</u>	<u>155,847</u>	<u>12,033</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>(10,602)</u>	<u>0</u>	<u>10,602</u>
<i>Net Change in Fund Balance</i>	0	(10,602)	0	10,602
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>(\$10,602)</u></u>	<u><u>\$0</u></u>	<u><u>\$10,602</u></u>

See accompanying notes to the basic financial statements

Village of Coal Grove, Lawrence County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Light Special Revenue Fund
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$25,048	\$25,048	\$24,954	(\$94)
Intergovernmental			4,780	\$4,780
<i>Total Receipts</i>	25,048	25,048	29,734	4,686
Disbursements				
Current:				
Security of Persons and Property	21,000	27,952	12,506	15,446
<i>Total Disbursements</i>	21,000	27,952	12,506	15,446
<i>Excess of Receipts Over (Under) Disbursements</i>	4,048	(2,904)	17,228	20,132
<i>Net Change in Fund Balance</i>	4,048	(2,904)	17,228	20,132
<i>Fund Balance Beginning of Year</i>	56,843	56,843	56,843	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	\$60,891	\$53,939	\$74,071	\$20,132

See accompanying notes to the basic financial statements

Village of Coal Grove , Lawrence County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities			Total Enterprise Funds
	Water Operating	Sewer Operating	Non Major Enterprise Funds	
Assets				
Equity in Pooled Cash and Cash Equivalents	\$195,799	\$107,653	\$8,423	\$311,875
<i>Total Assets</i>	<u>\$195,799</u>	<u>\$107,653</u>	<u>\$8,423</u>	<u>\$311,875</u>
Net Assets				
Unrestricted	<u>\$195,799</u>	<u>\$107,653</u>	<u>\$8,423</u>	<u>\$311,875</u>

See accompanying notes to the basic financial statements

Village of Coal Grove , Lawrence County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities			Total Enterprise Funds
	Water Operating	Sewer Operating	Non Major Enterprise Funds	
Operating Receipts				
Charges for Services	\$569,333	\$206,959	\$70,646	\$846,938
<i>Total Operating Receipts</i>	<u>569,333</u>	<u>206,959</u>	<u>70,646</u>	<u>846,938</u>
Operating Disbursements				
Personal Services	197,432	38,314	6,626	242,372
Fringe Benefits	131,821	31,371	316	163,508
Contractual Services	39,862	51,889	65,253	157,004
Materials and Supplies	82,646	50,386		133,032
Other	5,586			5,586
<i>Total Operating Disbursements</i>	<u>457,347</u>	<u>171,960</u>	<u>72,195</u>	<u>701,502</u>
<i>Operating Income (Loss)</i>	111,986	34,999	(1,549)	145,436
Non-Operating Receipts (Disbursements)				
Special Assessments		52,607		52,607
Miscellaneous Receipts	2,403			2,403
Principal Payments	(1,764)	(40,735)		(42,499)
Interest and Fiscal Charges		(25,133)		(25,133)
<i>Change in Net Assets</i>	112,625	21,738	(1,549)	132,814
<i>Net Assets Beginning of Year</i>	<u>83,174</u>	<u>85,915</u>	<u>9,972</u>	<u>179,061</u>
<i>Net Assets End of Year</i>	<u>\$195,799</u>	<u>\$107,653</u>	<u>\$8,423</u>	<u>\$311,875</u>

See accompanying notes to the basic financial statements

Village of Coal Grove, Lawrence County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$12,249</u></u>
Net Assets	
Unrestricted	<u><u>\$12,249</u></u>

See accompanying notes to the basic financial statements

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Village of Coal Grove, Lawrence 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from 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.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

The Village participates in one public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is the Ohio Municipal Joint Self-Insurance Pool.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary and fiduciary.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Construction Fund, State Grants Fund, and the Light Special Revenue Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Fund is used to account for road work done by the Village. The State Grants Fund is used to account for a grant received by the Village for work to be done on the Carlyle Textile Plant. The Light Special Revenue Fund is funded by a 1.7 mil tax levy for the installation and maintenance of street lighting. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Operating and Sewer Operating Funds.

Water Operating Fund - The Water Operating Fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Operating Fund - The Sewer Operating Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Internal Service Fund - Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village has no internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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 has no pension trust, investment trust or 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 has one agency fund, the Mayor's Court. This fund pays into the Village and the State of Ohio each month all receipts received through the issuance of various fines.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

Note 2 – Summary of Significant Accounting Policies (continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for environmental clean up of a Brownfield area in the Village known as the former Carlyle Tile Plant, street lighting, and other various specific purposes.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. The Village had no interfund transactions in 2005.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 3 – Compliance

The Village had a material noncompliance violation of Ohio Revised Code Section 5705.41(D)(1) for not properly certifying funds prior to incurring the obligation.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction Fund, State Grant Fund, and Light Special Revenue Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$4,596 for the General Fund and \$145 for the Street Construction Fund.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement
3. by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$377,612 of the Village's bank balance of \$477,612 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Village has no investments in 2005.

Note 6 – Income Taxes

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005 was 2.8 mills. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$15,165,420
Commercial/Industrial/Mineral	2,693,920
Public Utility Property	
Personal	1,982,960
Total Assessed Value	<u><u>\$19,842,300</u></u>

Note 8 – Risk Management

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – Risk Management (continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2004 and 2003 (the latest information available):

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>

Note 9 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$50,254, \$44,264, and \$57,687 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 – Defined Benefit Pension Plans (continued)

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$8,821, \$4,934, and \$4,594. The full amount has been contributed for 2005, 2004 and 2003.

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. The Village contributions for 2005 which were used to fund postemployment benefits were \$71,302. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 10 - Postemployment Benefits (continued)

OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$3,506 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police.

Note 11 - Notes Payable

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
2004 Bond Anticipation Note	2.57	\$130,000		\$130,000	
2005 Bond Anticipation Note	3.1		\$120,000		\$120,000
Commercial Line of Credit	7.18		\$19,739	\$19,739	

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 11 - Notes Payable (continued)

The note originated for \$150,000 for purchase of a wood chipper, a tractor, and to pave streets in disrepair. All note proceeds had been spent at December 31, 2005. A \$10,000 payment on the principal plus the interest is paid each year and new note issued for the balance. The bond anticipation note is backed by the full faith and credit of the Village and matures within one year.

The Commercial line of credit was obtained to allow the Village to pay for costs associated with the boat dock project. The total amount of the Commercial line of credit was \$150,000 and matured on July 5, 2006.

Note 12 – Debt

The Village's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interes t Rate	Balance December 31, 2004	Additions	Reduction s	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
1999 OPWC Water Treatment (\$35,274)	0%	\$1,764		\$1,764		
<u>Business-type Activities</u>						
1988 OWDA Loan (\$707,721)	8.26%	\$280,719		\$30,635	\$250,084	\$31,248
1990 Special Assessment Bonds (\$495,000)	5%	\$389,900		\$10,100	\$379,800	\$10,600
1971 Waterworks Mortgage Revenue Bonds (\$430,000)	6.75%	\$35,000		\$35,000		
Total Business-type Activities		<u>\$705,619</u>		<u>\$75,735</u>	<u>\$629,884</u>	<u>\$41,848</u>

The OPWC Water Treatment loan was provided to the Village to assist in water treatment maintenance. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements. In the event of default on the payments, the OPWC Director may direct the County Treasurer to pay the default from the Village's undivided local government funds.

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Special Assessment Bonds were obtained for the purpose of paying for the costs of constructing improvements to the Village's water 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.

The Waterworks Mortgage Revenue Bonds are defeased debt. Cash has been placed with a Trustee in an amount sufficient to pay all debt principal and interest payments when they come due. The bank makes all payments for this on behalf of the Village. The cash and investments held by the trustee are not included in the Village's assets. See Note 14 which provides addition information regarding debt service trusted funds.

Village of Coal Grove, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 12 – Debt (continued)

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loans		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2006	\$31,248	\$5,002	\$10,600	\$18,990
2007	31,873	4,377	11,200	18,460
2008	32,510	3,739	11,700	17,900
2009	33,160	3,089	12,300	17,315
2010	33,824	2,426	12,900	16,700
2011 – 2015	87,469	3,145	75,100	73,125
2016 – 2020			95,600	52,400
2021 – 2025			122,200	25,980
2026 – 2030			28,200	1,410
Totals	<u>\$250,084</u>	<u>\$21,778</u>	<u>\$379,800</u>	<u>\$242,280</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$2,083,442 and the unvoted debt margin of \$1,091,327.

Note 13 – Contingent Liabilities

The Village is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Village's financial condition.

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

Note 14 – Debt Service Trusted Funds

The 1971 Waterworks Mortgage Revenue Bonds were defeased and a bond account was established which is maintained by US Bank, a custodial bank. The bond account was established to make the annual principal and interest payments on the bonds from the payments made by the Village to this account. At December 31, 2005 US Bank held \$16,484.97 in Village assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Coal Grove, Lawrence County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 17, 2006 wherein we noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's basic 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, providing an opinion 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Village's management dated August 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Village of Coal Grove
Lawrence County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and the Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 17, 2006

VILLAGE OF COAL GROVE
LAWRENCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D)(1) prohibits orders or contracts involving the expenditure of money from being made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to this basic requirement, one of which is provided by Ohio Rev. Code Section 5705.41 (D)(1):

Then and Now Certificate: 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.

Amounts of less than \$3,000 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.

1987 Ohio Attorney General Opinion Number 87-069 provides the following exceptions to Ohio Revised Code Section 5705.41 (D):

1) Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year - Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified. (1987 Op. Atty. Gen. 87-069).

2) Per Unit Contracts - Where contracts are entered into on a per unit basis, only the amount estimated to become due in the current fiscal year need be certified. (1987 Op. Atty. Gen. 87-069).

3) Contract or Lease Running Beyond the Termination of the Fiscal Year Made - Pursuant to Section 5705.44, Ohio Rev. Code, where a contract or lease runs beyond the termination of the fiscal year in which it is made, only the amount of the obligation maturing in the current fiscal year need be certified. The remaining amount is a fixed charge required to be provided for in the subsequent fiscal year's appropriations.

1987 Op. Atty. Gen. No. 87-069 clarified the application of the exceptions set forth above. In summary, it indicated that:

If a government subject to Ohio Rev. Code Section 5705.41 (D) enters into a continuing contract under which no goods or services will be delivered during the current fiscal year and payment will not be due until delivery, no amount need be certified as available during the current fiscal year. Pursuant to Ohio Rev. Code Section 5705.44, the amount remaining unpaid at the end of a fiscal year to become due in the next fiscal year must be included in the annual appropriation measure for the next fiscal year as a fixed charge.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005
(Continued)**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2005-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41 (D)(1) (Continued)

If under a continuing contract it cannot be determined whether delivery of goods or services and the obligation to make payment will take place in the current or an ensuing fiscal year, the total amount due under the contract must be certified as available during the current year.

If under a continuing contract delivery of goods or services is to occur in the current fiscal year with the obligation to make payment deferred until an ensuing fiscal year, the amount required to meet the obligation for goods or services delivered during the current fiscal year must be certified as available in that fiscal year.

If a government subject to Ohio Rev. Code Section 5705.41 (D)(1) enters into a contract that is not a continuing contract, the total amount due under the contract must be certified as available in the fiscal year in which the contract is made, regardless of when delivery of goods or services will be made or when payment will become due.

20 percent of expenditures tested in 2005 did not include a properly certified certificate of the Village Clerk attached that the amount required for the order or contract had been lawfully appropriated and was in the treasury, or was in the process of collection to the credit of an appropriate fund free from any previous encumbrance prior to the obligation. In addition, there was no documentation that a "Then and Now" certificate was used and subsequently approved by the Village Council within the aforementioned 30-day time period.

We recommend that no orders involving the expenditure of money be made unless the Village Clerk has certified that the amount required 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 encumbrance. Where prior certification is not practical, we encourage the Village Clerk to utilize "Then and Now" certificates or blanket certificates.

Official's Response

The Village Clerk/Treasurer is taking all possible measures to correct this situation before the next audit. Cooperation from all departments has been requested.

**VILLAGE OF COAL GROVE
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Finding for Recovery – Repaid Under Audit – Court costs as a result of House Bill 95 not increased	Yes	
2004-002	Noncompliance Citation – Funds not properly encumbered	No	Noncompliance citation 2005-001 issued



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
SEPTEMBER 12, 2006**