



**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Columbus Grove
Putnam County
113 East Sycamore Street
Columbus Grove, Ohio 45830-1245

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 3, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Columbus Grove
Putnam County
113 East Sycamore Street
Columbus Grove, Ohio 45830-1245

To the Village Council:

We have audited the accompanying financial statements of the Village of Columbus Grove, Putnam County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. Additionally, the Village reclassified its presentation of the Pool Renovation Fund as described in Note 2.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement reformatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Columbus Grove, Putnam County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2007, 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.



Mary Taylor, CPA
Auditor of State

May 3, 2007

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$77,676	\$59,736			\$137,412
Municipal Income Tax	329,020			\$112,149	441,169
Intergovernmental Receipts	103,028	128,453			231,481
Special Assessments			\$10,628		10,628
Charges for Services	75,787	8,869			84,656
Fines, Licenses, and Permits	1,575	26,303			27,878
Earnings on Investments	15,717	1,747			17,464
Miscellaneous	30,773	22,929	4,498	22,391	80,591
Total Cash Receipts	<u>633,576</u>	<u>248,037</u>	<u>15,126</u>	<u>134,540</u>	<u>1,031,279</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	141,510	35,549			177,059
Public Health Services	3,889				3,889
Leisure Time Activities	105,811				105,811
Community Environment	1,752				1,752
Basic Utility Services	1,720	14,278			15,998
Transportation	5,213	113,033			118,246
General Government	138,664	38,448			177,112
Debt Service:					
Principal Payments	66,843		25,444	76,586	168,873
Interest Payments	6,871		5,661	31,834	44,366
Capital Outlay	9,037			97,055	106,092
Total Cash Disbursements	<u>481,310</u>	<u>201,308</u>	<u>31,105</u>	<u>205,475</u>	<u>919,198</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>152,266</u>	<u>46,729</u>	<u>(15,979)</u>	<u>(70,935)</u>	<u>112,081</u>
Other Financing Receipts and (Disbursements):					
Transfers-In			16,246	120,600	136,846
Advances-In		6,000			6,000
Transfers-Out	(147,678)				(147,678)
Advances-Out	(6,000)				(6,000)
Other Financing Uses			(267)		(267)
Total Other Financing Receipts and (Disbursements)	<u>(153,678)</u>	<u>6,000</u>	<u>15,979</u>	<u>120,600</u>	<u>(11,099)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,412)	52,729		49,665	100,982
Fund Cash Balances, January 1	92,738	124,892		113,525	331,155
Fund Cash Balances, December 31	<u><u>\$91,326</u></u>	<u><u>\$177,621</u></u>		<u><u>\$163,190</u></u>	<u><u>\$432,137</u></u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$307,298		\$307,298
Miscellaneous	2,502		2,502
Total Operating Cash Receipts	309,800		309,800
Operating Cash Disbursements:			
Personal Services	142,154		142,154
Contractual Services	59,687		59,687
Supplies and Materials	60,985		60,985
Capital Outlay	8,000		8,000
Total Operating Cash Disbursements	270,826		270,826
Operating Income	38,974		38,974
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	60,000	\$32,991	92,991
Non-Operating Cash Disbursements:			
Debt Service	86,712		86,712
Other Non-Operating Cash Disbursements	2,806	33,132	35,938
Total Non-Operating Cash Disbursements	89,518	33,132	122,650
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	9,456	(141)	9,315
Transfers-In	10,832		10,832
Net Receipts Over/(Under) Disbursements	20,288	(141)	20,147
Fund Cash Balances, January 1	48,189	1,961	50,150
Fund Cash Balances, December 31	\$68,477	\$1,820	\$70,297

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$76,204	\$64,029			\$140,233
Municipal Income Tax	283,074				283,074
Intergovernmental Receipts	95,286	133,320		\$690,760	919,366
Special Assessments			\$9,345		9,345
Charges for Services	78,691	8,254			86,945
Fines, Licenses, and Permits	1,165	29,987			31,152
Earnings on Investments	7,851	606			8,457
Miscellaneous	16,861	19,781	2,356	4,018	43,016
	<u>559,132</u>	<u>255,977</u>	<u>11,701</u>	<u>694,778</u>	<u>1,521,588</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	135,909	33,022			168,931
Public Health Services	3,016				3,016
Leisure Time Activities	90,246				90,246
Community Environment	1,756				1,756
Basic Utility Services	1,695	15,783			17,478
Transportation	5,031	95,139			100,170
General Government	139,278	58,913			198,191
Debt Service:					
Principal Payments		17,000	24,153	648,886	690,039
Interest Payments		410	6,951	38,417	45,778
Capital Outlay				763,123	763,123
	<u>376,931</u>	<u>220,267</u>	<u>31,104</u>	<u>1,450,426</u>	<u>2,078,728</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>182,201</u>	<u>35,710</u>	<u>(19,403)</u>	<u>(755,648)</u>	<u>(557,140)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes				760,000	760,000
Transfers-In			19,702	103,600	123,302
Advances-In	11,261				11,261
Transfers-Out	(148,293)				(148,293)
Advances-Out		(11,261)			(11,261)
Other Financing Uses			(299)	(896)	(1,195)
	<u>(137,032)</u>	<u>(11,261)</u>	<u>19,403</u>	<u>862,704</u>	<u>733,814</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	45,169	24,449		107,056	176,674
Fund Cash Balances, January 1	47,569	100,443		6,469	154,481
Fund Cash Balances, December 31	<u><u>\$92,738</u></u>	<u><u>\$124,892</u></u>		<u><u>\$113,525</u></u>	<u><u>\$331,155</u></u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$310,156		\$310,156
Miscellaneous	7,667		7,667
Total Operating Cash Receipts	317,823		317,823
Operating Cash Disbursements:			
Personal Services	136,304		136,304
Contractual Services	60,705		60,705
Supplies and Materials	69,630		69,630
Total Operating Cash Disbursements	266,639		266,639
Operating Income/(Loss)	51,184		51,184
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	4,077	\$37,655	41,732
Non-Operating Cash Disbursements:			
Debt Service	33,926		33,926
Other Non-Operating Cash Disbursements		36,970	36,970
Total Non-Operating Cash Disbursements	33,926	36,970	70,896
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers	21,335	685	22,020
Transfers-In	24,991		24,991
Net Receipts Over Disbursements	46,326	685	47,011
Fund Cash Balances, January 1	1,863	1,276	3,139
Fund Cash Balances, December 31	\$48,189	\$1,961	\$50,150

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Columbus Grove, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates fire levy fund money to support a volunteer fire department.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Special Revenue Funds

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

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

Police Fund -This fund receives money from fines, licenses, and permits and is used to fund the police department.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service funds:

Industrial Park Land Debt Service Fund -This fund was used to accumulate resources for the payment of debt issues for the Industrial Park land acquisition.

Sidewalks Special Assessment Debt Service Fund – This fund was used to accumulate sidewalk assessments for the payment of debt issues on the sidewalk and curb improvements.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvements Fund - This fund receives a portion of the income tax money, which is transferred from the General Fund, and is used it to make various improvements within the Village.

Pool Renovation Fund - This fund received debt issues and was used to renovate the Village swimming pool.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

5. 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 water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Waste Water Treatment Plant Debt Fund - This fund is used to accumulate resources for the retirement of debt issued for acquiring real estate for the improvement of the Villages sanitary sewer treatment plant and related facilities.

6. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund – This fund accounts for the activity of the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level for the general fund and at the fund level for all other funds, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

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 also approve estimated resources.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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. RESTATEMENT OF FUND BALANCE

On January 1, 2005, the Village reclassified the Pool Renovation Fund from the Debt Service Fund Type to the Capital Projects Fund Type to better reflect the fund's purpose.

	Debt Service Fund Type	Capital Projects Fund Type
Fund Balance as previously reported, December 31, 2004	\$4,745	\$1,724
Reclassification of Pool Renovation Fund	(4,745)	4,745
Fund Balance as restated at January 1, 2005	\$6,469	\$6,469

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$915	\$39,050
Certificates of deposit	417,731	311,234
Total deposits	418,646	350,284
STAR Ohio	83,788	31,021
Total deposits and investments	\$502,434	\$381,305

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December, 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$595,477	\$633,576	\$38,099
Special Revenue	233,737	248,037	14,300
Debt Service	34,000	31,372	(2,628)
Capital Projects	219,763	255,140	35,377
Enterprise	394,000	380,632	(13,368)
Total	\$1,476,977	\$1,548,757	\$71,780

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$622,418	\$628,988	(\$6,570)
Special Revenue	300,684	201,308	99,376
Debt Service	34,000	31,372	2,628
Capital Projects	296,763	205,475	91,288
Enterprise	439,700	360,344	79,356
Total	\$1,693,565	\$1,427,487	\$266,078

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$546,380	\$559,132	\$12,752
Special Revenue	239,111	255,977	16,866
Debt Service	37,300	31,403	(5,897)
Capital Projects	1,492,000	1,558,378	66,378
Enterprise	331,000	346,891	15,891
Total	\$2,645,791	\$2,751,781	\$105,990

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$612,276	\$525,224	\$87,052
Special Revenue	347,111	220,267	126,844
Debt Service	37,300	31,403	5,897
Capital Projects	1,504,791	1,451,322	53,469
Enterprise	334,547	300,565	33,982
Total	\$2,836,025	\$2,528,781	\$307,244

Contrary to Ohio law, the Village did not certify all commitments required by Ohio law.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by April 30. If the property owner elects to pay semiannually, the first half payment is due April 30. The second half payment is due the following September 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.25 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Of the 1.25 percent income tax, 1 percent is credited to the General Fund with a portion transferred to the Capital Improvements Fund and the remaining .25 percent is credited to the Pool Renovation Capital Projects Fund for retirement of swimming pool renovation debt and to fund pool improvement projects.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. DEBT

Debt outstanding at December 31, 2006, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$215,124	0%
General Obligation Bonds	956,984	4.25 - 5.75%
General Obligation Notes	134,875	3.6%
Total	\$1,306,983	

Outstanding general obligation bonds include \$47,313 for sidewalk improvements, \$230,035 for acquisition of land for and costs associated with the expansion and improvement of the Villages sanitary sewer treatment plant and related facilities, \$39,136 for industrial park development, \$86,500 for water and sewer system improvements, and \$554,000 for retiring notes used for swimming pool improvements. The sidewalk improvement bonds were issued in 2001 at an interest rate of 5% with final maturity in 2011, these bonds will be retired through special assessments levied against affected property owners. Sanitary Sewer Improvement Bonds were issued in 2003 at an interest rate of 4.25% with final maturity in 2017, sewer revenues will be used to retire this debt. The industrial park note was issued in 2000 at an interest rate of 5.5% with final maturity of 2010. The water and sewer system improvement notes were issued in 1997 at an interest rate of 5.75% with final maturity in 2017, water and sewer revenues are being used to retire this debt. The pool renovation bonds were issued in 2004 at an interest rate of 4.375% with final maturity in 2019, the voters of the Village approved an addition .25 percent income tax to retire this debt. The AEP note was issued in 2005 at an interest rate of 3.6% with final maturity in 2010 to fund the electricity for the Industrial Park.

The Ohio Public Works Commission (OPWC) loans include a loan for water tower installation and improvements (\$180,324) and a loan for sewer lines (\$34,800) in the Village. The loans will be repaid in semiannual installments of \$8,587 and 1,450, over 20 years. The loans are collateralized by water and sewer receipts.

Amortization of the above debt, including interest, follows:

	General Obligation Bonds	OPWC Loans	General Obligation Notes	Total
2007	\$136,912	\$20,073	\$44,071	\$201,056
2008	136,662	20,074	44,071	200,807
2009	127,272	20,073	44,071	191,416
2010	118,734	20,074	12,017	150,825
2011	105,817	20,074		125,891
2012-2016	464,907	100,369		565,276
2017-2018		14,387		14,387
Total	\$1,090,304	\$215,124	\$144,230	\$1,449,658

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages for 2005 and 2006. OPERS members contributed 8.5 percent of their wages for 2005 and 9 percent of their wages for 2006. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 13.7 percent of participants' gross salaries for 2006. The Village has paid all contributions required through December 31, 2006.

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. RISK MANAGEMENT – (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

10. COMPLIANCE

Contrary to the Grant Agreement with the State of Ohio, Department of Development, the Village did not establish a separate Capital Projects fund to account for the grant monies.

11. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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.

12. SUBSEQUENT EVENTS

The Village is both a recipient and a fiscal agent for other fire departments for a fire equipment grant with an award amount of \$526,500 that will be received in 2007.

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Mary Taylor, CPA

Auditor of State

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

Village of Columbus Grove
Putnam County
113 East Sycamore Street
Columbus Grove, Ohio 45830-1245

To the Village Council:

We have audited the financial statements of the Village of Columbus Grove, Putnam County (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 3, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village reclassified its presentation of the Pool Renovation Fund. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-003 and 2006-2004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-003 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 3, 2007.

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, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 3, 2007.

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



Mary Taylor, CPA
Auditor of State

May 3, 2007

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure 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. Further, contracts and order for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-eight percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2006-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Secretary certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Noncompliance Citation

State of Ohio, Department of Development Grant Agreement Covenant # 3., states that the grant funds and all interest income there from shall be deposited and maintained in a separate account upon the books and records of the Grantee.

The Village commingled the grant proceeds with the Capital Improvement Fund and did not establish a separate Capital Projects fund to account for these funds. Furthermore, the fund in which these funds were deposited did not earn interest during the audit period. This may result in the termination of the grant agreement.

We recommend that the Village review the grant agreement and follow all of the guidelines set forth.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Material Weakness

Financial Statements

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

**FINDING NUMBER 2006-003
(Continued)**

In the 2005 and 2006 financial statements, the pool renovation fund was misclassified as a Debt Service Fund instead of a Capital Project Fund. In addition, the Mayor's Court revenues and disbursements were not reported in an Agency Fund in the 2005 and 2006 financial statements. Instead, the Mayor's Court receipts and disbursements were recorded in a separate checking account that was not included on the Village's general ledger. The financial statements for 2005 and 2006 were corrected to reflect the restatement of the Pool Renovation Fund and to reflect the Mayor's Court activity.

To ensure the Village's financial statements and notes to the statements are complete and accurate, Council should adopt policies and procedures, including a final review of the statements and notes by the fiscal officer and governing board, to identify and correct errors and omissions.

Official's Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-004

Significant Weakness

Monitoring of Pool Activity

Sound accounting practices require controls be implemented in order to safeguard assets. The swimming pool collection process had the following deficiencies:

- A complete master listing of pool season passes was not maintained by the pool cashier and receipts were not issued to season pass purchasers.
- The pool manager did not signoff on the daily pool revenue reports.
- There was no supporting documentation for concession sales.

In order to ensure that pool revenues are complete and properly accounted for, we recommend that:

- Duplicate receipts be issued to each person that purchases a season pass. One copy should be given to the purchaser and one copy should be submitted to the Fiscal Officer with the collections
- The Pool Cashier maintain a master listing of all season pass holders. The list should show the name of the person purchasing the pass, type of pass issued, the amount collected and the date it was paid. The Fiscal Officer should then account for this revenue in a separate object code.
- The Pool Manager (or employee completing pool revenue sheet) should sign off at the bottom of the revenue report to ensure accountability
- The Pool Cashier include supporting documentation such as a register tape or a tally sheet to show the makeup of the concession revenues. Any variances from the amount expected to be collected and the actual amount collected should be documented and explained.
- The Fiscal Officer monitor pool records and collections

Official's Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 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	ORC § 5705.41(D) , Prior certification of disbursements.	No	Repeated as Finding 2006-001
2004-002	ORC § 5705.41(B) , Disbursements exceeded appropriations.	No	Partially Corrected. Repeated in management letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF COLUMBUS GROVE

PUTNAM 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
MAY 29, 2007**