



Dave Yost • Auditor of State

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Columbus Grove, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Columbus Grove, Putnam County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 15, 2017

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$93,049	\$68,194			\$161,243
Income Tax	472,465			\$152,816	625,281
Intergovernmental	49,215	132,639		64,000	245,854
Special Assessments	14,412				14,412
Charges for Services	46,664	19,175			65,839
Fines, Licenses, and Permits	2,044	34,899			36,943
Earnings on Investments	8,708	50			8,758
Miscellaneous	49,398	11,295		2,351	63,044
<i>Total Cash Receipts</i>	<u>735,955</u>	<u>266,252</u>		<u>219,167</u>	<u>1,221,374</u>
Cash Disbursements					
Current:					
Security of Persons and Property	200,248	14,069			214,317
Public Health Services	4,755				4,755
Leisure Time Activities	107,627				107,627
Basic Utility Services	2,860	33,243			36,103
Transportation	2,209	214,382			216,591
General Government	195,021	1,612			196,633
Capital Outlay		1,577		62,242	63,819
Debt Service:					
Principal Retirement	24,783		\$6,853	21,965	53,601
Interest and Fiscal Charges	4,905		293	498	5,696
<i>Total Cash Disbursements</i>	<u>542,408</u>	<u>264,883</u>	<u>7,146</u>	<u>84,705</u>	<u>899,142</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>193,547</u>	<u>1,369</u>	<u>(7,146)</u>	<u>134,462</u>	<u>322,232</u>
Other Financing Receipts (Disbursements)					
Transfers In	22,915	10,000		24,870	57,785
Transfers Out	(54,870)		(22,915)		(77,785)
Other Financing Uses	(31,371)				(31,371)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(63,326)</u>	<u>10,000</u>	<u>(22,915)</u>	<u>24,870</u>	<u>(51,371)</u>
<i>Net Change in Fund Cash Balances</i>	130,221	11,369	(30,061)	159,332	270,861
<i>Fund Cash Balances, January 1</i>	<u>(73,201)</u>	<u>329,366</u>	<u>\$30,061</u>	<u>382,102</u>	<u>668,328</u>
Fund Cash Balances, December 31					
Restricted		262,542		381,978	644,520
Committed		78,193			78,193
Assigned				159,456	159,456
Unassigned	57,020				57,020
<i>Fund Cash Balances, December 31</i>	<u>\$57,020</u>	<u>\$340,735</u>	<u>\$30,061</u>	<u>\$541,434</u>	<u>\$939,189</u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$880,291		\$880,291
Operating Cash Disbursements			
Personal Service	149,450		149,450
Fringe Benefits	47,640		47,640
Contractual Service	53,470		53,470
Supplies and Materials	266,040		266,040
<i>Total Operating Cash Disbursements</i>	<u>516,600</u>		<u>516,600</u>
<i>Operating Income</i>	<u>363,691</u>		<u>363,691</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(537,699)		(537,699)
Interest and Other Fiscal Charges	(4,186)		(4,186)
Earning on Investments	10		10
Capital Outlay	(4,708,491)		(4,708,491)
Sale of Notes	4,771,555		4,771,555
Transfers In	20,000		20,000
Other Financing Sources		\$40,348	40,348
Other Financing Uses		(43,535)	(43,535)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(458,811)</u>	<u>(3,187)</u>	<u>(461,998)</u>
<i>Net Change in Fund Cash Balances</i>	(95,120)	(3,187)	(98,307)
<i>Fund Cash Balances, January 1</i>	<u>822,914</u>	<u>4,198</u>	<u>827,112</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$727,794</u></u>	<u><u>\$1,011</u></u>	<u><u>\$728,805</u></u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$87,818	\$67,858			\$155,676
Income Tax	330,753			\$259,878	590,631
Intergovernmental	75,875	110,829			186,704
Charges for Services	62,113	13,407			75,520
Fines, Licenses, and Permits	1,969	32,278			34,247
Earnings on Investments	8,313	311			8,624
Miscellaneous	22,777	5,068	\$41,427	3,640	72,912
<i>Total Cash Receipts</i>	<u>589,618</u>	<u>229,751</u>	<u>41,427</u>	<u>263,518</u>	<u>1,124,314</u>
Cash Disbursements					
Current:					
Security of Persons and Property	199,146	20,813			219,959
Public Health Services	4,631				4,631
Leisure Time Activities	136,700				136,700
Basic Utility Services	2,700	47,374			50,074
Transportation	6,339	149,900			156,239
General Government	224,478	1,746			226,224
Capital Outlay		3,554		307,158	310,712
Debt Service:					
Principal Retirement	24,411		20,000	37,000	81,411
Interest and Fiscal Charges	5,277		640	1,285	7,202
<i>Total Cash Disbursements</i>	<u>603,682</u>	<u>223,387</u>	<u>20,640</u>	<u>345,443</u>	<u>1,193,152</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,064)</u>	<u>6,364</u>	<u>20,787</u>	<u>(81,925)</u>	<u>(68,838)</u>
Other Financing Receipts (Disbursements)					
Transfers In		30,000		140,163	170,163
Transfers Out	(220,163)				(220,163)
Other Financing Sources	32,082				32,082
Other Financing Uses	(58,746)				(58,746)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(246,827)</u>	<u>30,000</u>		<u>140,163</u>	<u>(76,664)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(260,891)</u>	<u>36,364</u>	<u>20,787</u>	<u>58,238</u>	<u>(145,502)</u>
<i>Fund Cash Balances, January 1</i>	<u>187,690</u>	<u>293,002</u>	<u>9,274</u>	<u>323,864</u>	<u>813,830</u>
Fund Cash Balances, December 31					
Restricted		280,187		257,046	537,233
Committed		49,179			49,179
Assigned			30,061	125,056	155,117
Unassigned (Deficit)	(73,201)				(73,201)
<i>Fund Cash Balances, December 31</i>	<u>(73,201)</u>	<u>\$329,366</u>	<u>\$30,061</u>	<u>\$382,102</u>	<u>\$668,328</u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$743,092		\$743,092
Operating Cash Disbursements			
Personal Service	149,983		149,983
Fringe Benefits	45,608		45,608
Contractual Service	53,534		53,534
Supplies and Materials	136,698		136,698
<i>Total Operating Cash Disbursements</i>	<u>385,823</u>		<u>385,823</u>
<i>Operating Income</i>	<u>357,269</u>		<u>357,269</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(467,198)		(467,198)
Interest and Other Fiscal Charges	29		29
Capital Outlay	(532,880)		(532,880)
Sale of Notes	569,242		569,242
Transfers In	50,000		50,000
Other Financing Sources		\$40,404	40,404
Other Financing Uses	(92,002)	(37,418)	(129,420)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(472,809)</u>	<u>2,986</u>	<u>(469,823)</u>
<i>Net Change in Fund Cash Balances</i>	(115,540)	2,986	(112,554)
<i>Fund Cash Balances, January 1</i>	<u>938,454</u>	<u>1,212</u>	<u>939,666</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$822,914</u></u>	<u><u>\$4,198</u></u>	<u><u>\$827,112</u></u>

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, 2015 AND 2014**

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 directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates fire levy money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio, public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

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

2. Special Revenue Funds

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

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Permissive Tax – This fund is used for road improvements in the Village. Monies are received from the County Engineer, along with license fees from the State of Ohio.

3. Debt Service Fund

This fund account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

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 Village’s sanitary sewer treatment plant and related facilities.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Pool Renovation Fund – This fund receives income tax money, for retiring of the swimming pool debt and any capital repairs needed at the swimming pool.

Capital Improvement Fund – This fund receives transfers from the General Fund to provide monies for capital outlay and debt repayments.

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.

Special Sewer Improvement Fund - This fund receives loan proceeds from the Water Pollution and Control Loan Fund. The capitalization grant fund is managed by the Ohio Water Department Authority. This project is for the design of Phase I and Phase II of its combined sanitary sewer system separation. The loan will be repaid using revenue generated by sewer rates.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

other governments which are not available to support the Village's own programs.

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

	2015	2014
Demand deposits	\$394,199	\$230,736
Certificates of deposit	1,063,951	1,054,960
Other time deposits (money market)	175,337	175,267
Total deposits	1,633,487	1,460,963
STAR Ohio	34,507	34,477
Total deposits and investments	\$1,667,994	\$1,495,440

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$852,437	\$758,870	(\$93,567)
Special Revenue	248,050	276,252	28,202
Debt Service	23,000		(23,000)
Capital Projects	191,114	244,037	52,923
Enterprise	5,735,940	5,671,856	(64,084)
Total	\$7,050,541	\$6,951,015	(\$99,526)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$927,531	\$628,649	\$298,882
Special Revenue	381,361	264,883	116,478
Debt Service	31,900	30,061	1,839
Capital Projects	269,114	84,705	184,409
Enterprise	6,254,271	5,766,976	487,295
Total	\$7,864,177	\$6,775,274	\$1,088,903

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$752,158	\$621,700	(\$130,458)
Special Revenue	258,440	259,751	1,311
Debt Service	25,000	41,427	16,427
Capital Projects	245,000	403,681	158,681
Enterprise	4,705,000	1,362,363	(3,342,637)
Total	<u>\$5,985,598</u>	<u>\$2,688,922</u>	<u>(\$3,296,676)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,032,131	\$882,591	\$149,540
Special Revenue	381,886	223,387	158,499
Debt Service	34,000	20,640	13,360
Capital Projects	455,510	345,443	110,067
Enterprise	5,513,707	1,477,903	4,035,804
Total	<u>\$7,417,234</u>	<u>\$2,949,964</u>	<u>\$4,467,270</u>

4. Property Tax

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

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

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

5. 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, 2015 AND 2014
(Continued)**

Contrary to Village Ordinance, \$27,760 and \$141,752 of income tax monies due to the Capital Projects Fund were receipted to the General Fund for 2015 and 2014, respectively.

6. Debt

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$1,636,307	0%
Ohio Water Development Authority Loans	10,794,236	0%
General Obligation Loans	320,640	1.8%
Total	\$12,751,183	

Outstanding General Obligation Loans consisted of the following loans. A \$240,635 loan at the Fort Jennings State Bank was issued in 2012 at an interest rate of 2.25% with final maturity in 2022 to fund the purchase of the Hitchcock Farm. A \$200,000 loan at the Fort Jennings State Bank was issued in 2014 at an interest rate of 3.6% with final maturity in 2034 to fund the purchase of water meters.

The Ohio Public Works Commission (OPWC) loans include a loan for water tower installation and improvements (\$25,760), two loans for sewer lines (\$8,700) and (\$555,470) in the Village, a loan for wastewater improvements (\$621,548), and a loan for the Phase III Sewer Separation project (\$424,829). The loans will be repaid in semiannual installments of \$8,587, \$1,450, \$9,745 and annual installments of \$23,020 respectively, over 20 years. The loans are collateralized by water and sewer receipts. The Village does not yet have an amortization schedule for the Phase III Sewer Separation project and is not included in the below table.

The Ohio Water Development Authority (OWDA) loans include a loan for a water tower (\$23,890), a loan for the waterline (\$141,962), a loan for Wastewater Treatment Improvements (\$260,930) a loan for the Combined Sewer Overflow (CSO) Separation Phase I (\$2,759,486), a loan for Phase II CSO Construction (\$3,747,213), and a loan for Phase III CSO Construction (\$3,860,755). The loans will be paid over 20 years for the water tower, waterline loan, wastewater treatment improvements, and Phases I and II CSO Separation and Construction and is included in the accompanying amortization schedule. The Village does not yet have an amortization schedule for the Phase III CSO Construction project and is not included in the below table.

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

Year	OPWC Loan	General Obligation Loans		OWDA Loan
	Principal	Principal	Interest	Principal
2016	\$52,547	\$43,060	\$8,346	\$190,267
2017	62,584	44,304	7,169	409,863
2018	45,411	45,556	5,988	409,863
2019	43,961	46,845	4,780	409,863
2020	42,511	48,157	3,554	409,863
2021-2025	212,552	92,718	6,878	2,049,314
2026-2030	212,552			2,030,886
2031-2035	212,552			1,023,562
2036-2040	212,552			
2041-2045	114,256			
Totals	<u>\$1,211,478</u>	<u>\$320,640</u>	<u>\$36,715</u>	<u>\$6,933,481</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OP&F participants contributed 12.25% and 11.5% of their wages, respectively. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

8. Risk Management

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

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

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

Casualty and Property Coverage

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Financial Position

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

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

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$22,000.

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

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$32,311	\$34,045

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

9. Miscellaneous Revenue

Miscellaneous receipts in the General Fund in 2015 and 2014 primarily consisted of farm, shelter

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

house, community center, and gazebo rent. Miscellaneous receipts in the Debt Service Fund in 2014 primarily consisted of rental income, payments in lieu of taxes, and crop revenues.

10 Transfers

During 2015 the following transfers were made:

		Transfers Out	
		General	Debt Service
Governmental Funds:			
	General Fund		\$22,915
Transfers In	SCMR Fund	\$10,000	
	Capital Improvement Fund	24,870	
Business Type Funds			
	Water Fund	10,000	
	Sewer Fund	10,000	
	Total	\$54,870	\$22,915

During 2014 the following transfers were made:

		Transfers Out
		General
Governmental Funds:		
Transfers In	SCMR Fund	\$30,000
	Capital Improvement Fund	140,163
Business Type Fund		
	Sewer Fund	50,000
	Total	\$220,163

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11. Compliance

Contrary to Ohio law, in 2015 permissive tax was improperly posted to the Street Construction Maintenance and Repair Fund instead of the Permissive Tax Fund. In 2014, homestead and rollback for the General Fund was incorrectly posted to the Fire Fund. Also contrary to Ohio law, at December 31, 2014, the General Fund had a cash deficit balance of \$73,201.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Columbus Grove, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2015-001 through 2015-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a

material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-005 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of as items 2015-003 and 2015-004.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 15, 2017

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

The Village lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- Reimbursement of attorney fees in the General Fund in the amount of \$92,002 in 2014 was incorrectly posted as miscellaneous revenue instead of other financing sources.
- In 2015 and 2014, Ohio Water Development Authority loans for \$4,197,541 and \$510,681, respectively, were improperly classified as charges for services in the Enterprise Special Sewer Fund instead of sale of notes.
- In 2015 and 2014, Ohio Public Works Commission loans for \$424,829 and \$58,561, respectively, were improperly classified as charges for services in the Enterprise Special Sewer Fund instead of sale of notes.
- Enterprise Special Sewer Fund principal payment of \$475,493 in 2015 was posted incorrectly as other expense and capital outlay in the amounts of \$411,818 and \$63,675, respectively.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. There were fifty-six audit adjustments made to the Village's financial statements and accounting records ranging from \$498 to \$4,197,541.

To help ensure the financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer post all transactions in accordance with guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State. The Village Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Fiscal Officer and Council to identify and correct errors and omissions.

Officials' Response:

I started at the end of 2015 and carried on what was previously done, auditors have explained to me the changes and I have implemented those changes starting in 2017. Some of the same mistakes will be done in 2016 as I was just following suit.

FINDING NUMBER 2015-002

Material Weakness - Mayors Court

The Village Mayor's Court activity was all recorded in the Police Fund instead of a separate Agency Fund. This does not provide for correct presentation of the court activity. It allows for the Mayor's Court activity to be comingled with other revenues and expenditures. Furthermore, it does not allow for easy identification of any Mayor's Court fund balance at year end or at any given time.

The Village's lack of posting Mayor's Court activity to a separate Agency Fund resulted in material posting errors. In 2015, entries were made to cash, other non-operating disbursements, other non-operating revenues, and beginning fund balance for \$1,011, \$43,535, \$40,348, and \$4,198, respectively. In 2014, entries were made to cash, other non-operating disbursements, other non-operating revenues, and beginning fund balance for \$4,198, \$37,418, \$40,404, and \$1,212, respectively.

These errors occurred without detection due to the Village's lack on monitoring of the financial activity by the Village Council.

In order to improve internal controls over Mayor's Courts revenues, remittance, and any remaining fund balance, we recommend the following:

- All Mayors Court revenues should be posted to an Agency Fund.
- The Village should remit the Village's portion of the fines collected to the appropriate Village fund from the Agency Fund.
- The Village should remit the State or County portion of fines collected to the appropriate government agency from the Agency Fund.

Officials' Response:

All corrections have been made as asked starting in 2017, an Agency fund has been set up, and I am paying a \$1.50 to the county every month. Same issues for 2016 will apply as was unaware of the issues.

FINDING NUMBER 2015-003

Material Weakness – Noncompliance

Village of Columbus Grove Ordinance 2014-05 provides that the balance of the first one percent (1%) income tax shall be dispersed as follows:

- Seventy per cent (70%) shall be allocated to the General Fund for operational expenditures.
- Thirty per cent (30%) to be used for the following: For purchases and maintenance of new and additional equipment for the different departments of the village, extension, enlargement and improvement of municipal services and repairs, constructions, acquisition, remodeling or enlargement of public buildings, capital improvements and retirement of notes and bonded indebtedness.

This resulted in \$27,760 and \$141,752 of income tax monies due to the Capital Projects Fund being receipted to the General Fund for 2015 and 2014, respectively. This occurred and went undetected due to a lack of monitoring by Village Council. The financial statements have been adjusted to reflect this activity.

We recommend that the Fiscal Officer follow the approved ordinance.

Officials' Response:

I was not here for this. But we no longer allocate the 30% to cap imp fund, just 1% to income tax and .25% to the pool renovation fund.

FINDING NUMBER 2015-004

Material Weakness - Noncompliance

Ohio Rev. Code § 5705.10 provides that all money paid into any fund shall be used only for the purpose for which such fund is established. Furthermore, this code section requires all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

The Village's lack of a policy regarding financial review contributed to the following errors occurring without detection:

- In 2015, \$918 of permissive tax was improperly posted to the Street Construction, Maintenance, and Repair Fund instead of the Permissive Tax Fund.
- In 2014, \$3,954 in homestead and rollback for the General Fund was incorrectly posted to the Fire Fund.
- In 2014, \$112,450 in sewer charges was incorrectly allocated to the Special Sewer Fund instead of the Sewer Fund.

The Village's accounting records and financial statements were adjusted to correct these posting errors.

Furthermore, the existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. As of December 31, 2014, the General Fund had a deficit balance of \$73,201.

Improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, Council should review financial records to make sure amounts are properly reflected in the appropriate funds and there are sufficient funds to pay fund obligations.

Officials' Response:

Rollback has been explained and will be changed in 2017 on how it is posted. Again, 2016 will reflect the same problems as I was following suit. Sewer/ special sewer allocations were posted wrong in 2016 as well, but have been fixed and 2017 a new ordinance was passed for the new percentages.

FINDING NUMBER 2015-005

Significant Deficiency - Utility Adjustment Policy

The Village Utility Clerk is responsible for the duties of the utility billing function, including processing utility billings, receiving payments, depositing utility receipts, and entering transactions into the utility system, including any credits and/or other adjustments to customer utility accounts. There is a lack of monitoring by the Village Council over utility billing adjustments. The Village lacks a policy requiring approval by Council when adjustments to customer utility accounts can be made.

This situation could result in errors and irregularities occurring without the timely detection by management official. To increase controls and accountability over utility receipts, we recommend the Village Council, (or, as appropriate, individual(s) designated by Council) adopt a policy requiring when prior approval of adjustments to customer utility accounts should be made. On a periodic basis, Council should review and approve all adjustments made to accounts. This could be done by reviewing and initialing the Utility Billing Adjustment History Report for any credits and/or other adjustments made to customer utility accounts.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

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**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Ohio Rev. Code § 5705.41(D)(1) for not properly certifying disbursements	Fully corrected.	
2013-002	Ohio Rev. Code § 5705.40 for variances between approved and posted appropriations.	Partially corrected and moved to the Management Letter.	The client declined to offer an explanation why the finding reoccurred or what further corrective action they may anticipate.
2013-003	Material weakness due to lack of monitoring of financial transactions	Not corrected and reissued as Finding 2015-001 in this report.	Rollback has been explained and will be changed in 2017 on how it is posted. Again, 2016 will reflect the same problems as I was following suit. Sewer/ special sewer allocations were posted wrong in 2016 as well, but have been fixed and 2017 a new ordinance was passed for the new percentages.

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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
APRIL 6, 2017