



Dave Yost • Auditor of State

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY
DECEMBER 31, 2017 AND 2016

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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 Village 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, 2017 and 2016.

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 such 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 2 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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Columbus Grove, Putnam County, Ohio as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 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

November 7, 2018

Village of Columbus Grove
Putnam County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Government Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$88,399	\$73,862		\$162,261
Income Tax	552,240		\$138,060	690,300
Intergovernmental	49,202	220,179		269,381
Charges for Services	49,227	13,316		62,543
Fines, Licenses, and Permits	1,824	15,112		16,936
Earnings on Investments	12,189			12,189
Miscellaneous	61,054	17,746	2,554	81,354
<i>Total Cash Receipts</i>	<u>814,135</u>	<u>340,215</u>	<u>140,614</u>	<u>1,294,964</u>
Cash Disbursements				
Current:				
Security of Persons and Property	213,083	17,133		230,216
Public Health Services	897			897
Leisure Time Activities	134,753			134,753
Basic Utility Services	3,005	34,458		37,463
Transportation	4,748	164,607		169,355
General Government	221,419	1,580		222,999
Capital Outlay		10,406	338,364	348,770
Debt Service:				
Principal Retirement	27,312	244,800	100,021	372,133
Interest and Fiscal Charges	2,376	2,196	2,259	6,831
<i>Total Cash Disbursements</i>	<u>607,593</u>	<u>475,180</u>	<u>440,644</u>	<u>1,523,417</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>206,542</u>	<u>(134,965)</u>	<u>(300,030)</u>	<u>(228,453)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes			93,280	93,280
Transfers In		70,000		70,000
Transfers Out	(105,000)			(105,000)
Other Financing Uses	(29,869)			(29,869)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(134,869)</u>	<u>70,000</u>	<u>93,280</u>	<u>28,411</u>
<i>Net Change in Fund Cash Balances</i>	71,673	(64,965)	(206,750)	(200,042)
<i>Fund Cash Balances, January 1</i>	<u>111,626</u>	<u>437,396</u>	<u>722,558</u>	<u>1,271,580</u>
Fund Cash Balances, December 31				
Restricted		342,770	515,808	858,578
Committed		29,661		29,661
Unassigned	183,299			183,299
<i>Fund Cash Balances, December 31</i>	<u>\$183,299</u>	<u>\$372,431</u>	<u>\$515,808</u>	<u>\$1,071,538</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 (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,133,585		\$1,133,585
Operating Cash Disbursements			
Personal Service	144,435		144,435
Fringe Benefits	36,168		36,168
Contractual Service	64,052		64,052
Supplies and Materials	148,344		148,344
<i>Total Operating Cash Disbursements</i>	392,999		392,999
<i>Operating Income</i>	740,586		740,586
Non-Operating Receipts (Disbursements)			
Principal Retirement	(737,720)		(737,720)
Capital Outlay	(156,351)		(156,351)
Sale of Notes	146,980		146,980
Other Financing Sources		\$17,389	17,389
Other Financing Uses		(16,492)	(16,492)
<i>Total Non-Operating Receipts (Disbursements)</i>	(747,091)	897	(746,194)
<i>Income (Loss) before Transfers</i>	(6,505)	897	(5,608)
Transfers In	35,000		35,000
<i>Net Change in Fund Cash Balances</i>	28,495	897	29,392
<i>Fund Cash Balances, January 1</i>	685,933	1,165	687,098
<i>Fund Cash Balances, December 31</i>	\$714,428	\$2,062	\$716,490

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The Village of Columbus Grove (the Village), Putnam County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds accounts 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 Fund:

Capital Improvement Fund This fund receives loan proceeds to provide monies for capital outlay and debt repayments.

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 Fund:

Special Sewer Improvement Fund This fund receives a portion of the revenue from providing sanitary sewer services to the residents and commercial users within the Village. This fund also receives loan proceeds from the Water Pollution and Control Loan Fund which is managed by the Ohio Water Department Authority. This loan is for the design of Phase I and Phase II of its

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

combined sanitary sewer system separation, and will be repaid using the revenue generated by sewer rates.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

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 2017 budgetary activity appears in Note 3.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless 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.

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

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

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,283,191	\$814,135	(\$469,056)
Special Revenue	1,018,343	410,215	(608,128)
Capital Projects	290,000	233,894	(56,106)
Enterprise	2,030,302	1,315,565	(714,737)
Total	\$4,621,836	\$2,773,809	(\$1,848,027)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,021,389	\$742,462	\$278,927
Special Revenue	772,901	475,180	297,721
Capital Projects	456,247	440,644	15,603
Enterprise	1,594,746	1,287,070	307,676
Total	\$3,845,283	\$2,945,356	\$899,927

Note 4 – 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:

	2017
Demand deposits	\$567,200
Certificates of deposit	1,185,797
Total deposits	1,752,997
STAR Ohio	35,031
Total deposits and investments	\$1,788,028

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 through the Ohio Pooled Collateral System (OPCS).

The Village's deposits at certain financial institution(s) are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however at December 31, 2017, the financial institution still maintained its own collateral pool.

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

Note 5 – Taxes

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.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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.

Income Taxes

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, 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.

Note 6 – 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$24,000.

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>2017 Contributions to PEP</u>
\$38,053

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. 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. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several Village employees and officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees and officials contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$1,094,897	0%
Ohio Water Development Authority Loan	10,874,390	0%
General Obligation Loans	191,043	1.80 - 3.60%
Total	\$12,160,330	

Outstanding General Obligation Loans consisted of the following loans. A \$264,552 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 \$93,280 loan at the Fort Jennings Bank was issued in 2017 at an interest rate of 2.75% with a final maturity date in 2020. This loan was used to pay off the balance on an existing loan which was issued to fund the purchase of the EMS building. A \$257,667 loan at the Union Bank was issued in 2016 at an interest rate of 3.00% with the final maturity date in 2021 to fund the road work for State Route 65 and Progressive Drive.

The Ohio Public Works Commission (OPWC) loans include a loan for water tower installation and improvements (\$25,760) which was paid off in 2017, two loans for sewer lines (\$8,700) and (\$555,470) in the Village, a loan for wastewater improvements (\$621,548). The loans will be repaid in semiannual installments of \$1,450 and \$9,745, and annual installments of \$23,020 respectively, over 20 years. The loans are collateralized by water and sewer receipts.

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, consequently, the \$4,732,153 outstanding loan balance at December 31, 2017, is not included in the below table.

Leases

The Village leases equipment under a noncancelable lease. The Village disbursed \$92,527 to pay lease costs for the year ended December 31, 2017. The amount paid in 2017, paid off the lease prior to its 2020 maturity date.

Amortization

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Year	OPWC Loan	General Obligation Loans		OWDA Loan
	Principal	Principal	Interest	Principal
2018	\$43,960	\$30,272	\$4,432	\$211,074
2019	43,960	28,418	3,833	409,863
2020	42,511	92,988	2,215	409,863
2021	42,511	19,472	778	409,863
2022	42,511	19,893	19,913	409,863
2023-2027	212,552			2,049,314
2028-2032	212,552			1,920,081
2033-2037	212,552			322,316
2038-2042	212,552			
2043-2047	29,236			
Totals	<u>\$1,094,897</u>	<u>\$191,043</u>	<u>\$31,171</u>	<u>\$6,142,237</u>

Note 10 – Interfund Transfers

During 2017, the following transfers were made:

Fund	Transfer In
Transfer From General Fund To:	
Special Revenue Funds:	
Street Construction Maintenance and Repair Fund	\$70,000
Enterprise Funds:	
Water Operating Fund	<u>35,000</u>
	<u>\$105,000</u>

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

Note 11 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund primarily consisted of shelter house and gazebo rent.

Village of Columbus Grove
Putnam County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$97,180	\$70,475		\$167,655
Income Tax	565,210		\$141,302	706,512
Intergovernmental	42,334	209,884		252,218
Charges for Services	69,887	12,918		82,805
Fines, Licenses, and Permits	3,060	26,649		29,709
Earnings on Investments	11,314			11,314
Miscellaneous	96,584	25,122	4,404	126,110
<i>Total Cash Receipts</i>	<u>885,569</u>	<u>345,048</u>	<u>145,706</u>	<u>1,376,323</u>
Cash Disbursements				
Current:				
Security of Persons and Property	214,873	53,335		268,208
Public Health Services	5,255			5,255
Leisure Time Activities	133,112			133,112
Basic Utility Services	3,010	33,231		36,241
Transportation	7,622	489,003		496,625
General Government	216,826	3,847		220,673
Capital Outlay		23,532	105,594	129,126
Debt Service:				
Principal Retirement	78,684		129,377	208,061
Interest and Fiscal Charges	4,014		3,741	7,755
<i>Total Cash Disbursements</i>	<u>663,396</u>	<u>602,948</u>	<u>238,712</u>	<u>1,505,056</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>222,173</u>	<u>(257,900)</u>	<u>(93,006)</u>	<u>(128,733)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes		257,317	100,000	357,317
Sale of Capital Assets			144,130	144,130
Transfers In		97,244	30,000	127,244
Transfers Out	(127,244)			(127,244)
Other Financing Uses	(40,323)			(40,323)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(167,567)</u>	<u>354,561</u>	<u>274,130</u>	<u>461,124</u>
<i>Net Change in Fund Cash Balances</i>	54,606	96,661	181,124	332,391
<i>Fund Cash Balances, January 1</i>	<u>57,020</u>	<u>340,735</u>	<u>541,434</u>	<u>939,189</u>
Fund Cash Balances, December 31				
Restricted		399,996	722,558	1,122,554
Committed		37,400		37,400
Unassigned	111,626			111,626
<i>Fund Cash Balances, December 31</i>	<u>\$111,626</u>	<u>\$437,396</u>	<u>\$722,558</u>	<u>\$1,271,580</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 (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,087,823		\$1,087,823
Operating Cash Disbursements			
Personal Service	144,239		144,239
Fringe Benefits	39,345		39,345
Contractual Service	52,068		52,068
Supplies and Materials	186,348		186,348
<i>Total Operating Cash Disbursements</i>	422,000		422,000
<i>Operating Income</i>	665,823		665,823
Non-Operating Receipts (Disbursements)			
Principal Retirement	(717,824)		(717,824)
Intergovernmental	115,171		115,171
Capital Outlay	(1,377,168)		(1,377,168)
Sale of Notes	1,272,137		1,272,137
Other Financing Sources		\$34,501	34,501
Other Financing Uses		(34,347)	(34,347)
<i>Total Non-Operating Receipts (Disbursements)</i>	(707,684)	154	(707,530)
<i>Net Change in Fund Cash Balances</i>	(41,861)	154	(41,707)
<i>Fund Cash Balances, January 1</i>	727,794	1,011	728,805
<i>Fund Cash Balances, December 31</i>	\$685,933	\$1,165	\$687,098

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

The Village of Columbus Grove (the Village), Putnam County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds accounts 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 Fund:

Capital Improvement Fund This fund receives transfers from the General Fund, proceeds from the sale of land, and debt proceeds to provide monies for capital outlay and debt repayments.

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 Fund:

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Special Sewer Improvement Fund This fund receives a portion of the revenue from providing sanitary sewer services to the residents and commercial users within the Village. This fund also receives loan proceeds from the Water Pollution and Control Loan Fund, which is managed by the Ohio Water Department Authority. This loan is for the design of Phase I and Phase II of its combined sanitary sewer system separation, and will be repaid using the revenue generated by sewer rates.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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

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

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 2016 budgetary activity appears in Note 4.

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.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless 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.

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

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

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.

Note 3 – Compliance

Contrary to Ohio Rev. Code § 5705.10(F), the Village recorded the proceeds from the sale of a permanent improvement in the wrong fund. Contrary to Ohio Rev. Code § 5705.10(E), the Village recorded loan proceeds of \$100,000 in the wrong fund. Contrary to Ohio Rev. Code § 5705.05, the Village improperly paid debt expenses from the General Fund, which was comingled with funds from a

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

levy for current expenses.

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,164,120	\$885,569	(\$278,551)
Special Revenue	708,627	699,609	(9,018)
Capital Projects	215,000	419,836	204,836
Enterprise	1,960,302	2,475,131	514,829
Total	\$4,048,049	\$4,480,145	\$432,096

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,043,704	\$830,963	\$212,741
Special Revenue	759,897	602,948	156,949
Capital Projects	459,120	238,712	220,408
Enterprise	2,536,102	2,516,992	19,110
Total	\$4,798,823	\$4,189,615	\$609,208

Note 5 – 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:

	2016
Demand deposits	\$849,515
Certificates of deposit	1,074,487
Total deposits	1,924,002
STAR Ohio	34,676
Total deposits and investments	\$1,958,678

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 are not evidenced by securities that exist in physical or book-entry form.

Note 6 – Taxes

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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.

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, 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.

Note 7 – Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government'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>2016 Contributions to PEP</u>
\$34,260

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. 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. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages respectively. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Social Security

Several Village employees and officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees and officials contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$1,148,894	0%
Ohio Water Development Authority Loan	11,411,133	0%
General Obligation Loans	469,896	1.80 - 3.60%
Total	\$13,029,923	

Outstanding General Obligation Loans consisted of the following loans. A \$264,552 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 2024 to fund the purchase of water meters. This loan was paid off early in 2016. A \$100,000 loan at the Fort Jennings Bank was issued in 2016 at an interest rate of 2.75% with the final maturity date in 2017 to fund the purchase of an EMS building. A \$257,667 loan at the Union Bank was issued in 2016, at an interest rate of 3.00% with the final maturity date in 2021, to fund the road work for State Route 65 and Progressive drive.

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). 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 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 consequently, the \$4,859,033 outstanding loan balance at December 31, 2016, is not included in the below table.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Leases

The Village leases equipment under a noncancelable lease. The Village disbursed \$24,546 to pay lease costs for the year ended December 31, 2016.

Amortization

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

Year	OPWC Loan	General Obligation Loans		OWDA Loan	Lease
	Principal	Principal	Interest	Principal	
2017	\$52,546	\$166,165	\$4,770	\$409,863	\$24,546
2018	45,412	68,082	2,096	211,074	24,546
2019	43,960	70,032	1,624	409,863	24,546
2020	42,511	72,029	1,207	409,863	24,546
2021	42,511	73,755	775	409,863	
2022-2026	212,552	19,833	336	2,049,314	
2027-2031	212,552			2,018,601	
2032-2036	212,552			633,659	
2037-2041	212,552				
2042-2046	71,746				
Totals	<u>\$1,148,894</u>	<u>\$469,896</u>	<u>\$10,808</u>	<u>\$6,552,100</u>	<u>\$98,184</u>

Note 11 – Interfund Transfers

During 2016, the following transfers were made:

Fund	Transfer In
Transfer From General Fund To:	
Special Revenue Funds:	
Street Construction Maintenance and Repair Fund	\$62,444
State Highway Fund	5,000
Police Fund	29,800
Capital Project Fund:	
Capital Improvement Fund	<u>30,000</u>
	<u>\$127,244</u>

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

Note 12 – Miscellaneous Receipts

Miscellaneous receipts in the General Fund primarily consisted of community center rent, farm rent, refunds, and donations.



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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 7, 2018 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-002 through 2017-006 to be material weaknesses.

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 findings as items 2017-001, and 2017-004 through 2017-006.

Village'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 subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 7, 2018

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Finding for Recovery Repaid Under Audit – Overpayment of Employee

Village of Columbus Grove Personnel Policies and Procedure Manual Section 11.2 provides that upon termination, the employee will receive payment for 25% of his/her accumulated sick leave up to a max of 120 days (which would equal 240 hours) in a cash payment at his/her current rate of pay.

Nicholas Gilgenbach resigned as of August 20, 2017. He received his severance payment on September 1, 2017. The gross amount of this payment was \$5,825. The Village's calculation for this payment shows the max allowed of 240 hours was used instead of 25% of his actual sick leave balance. As a result, an overpayment of \$3,070 occurred.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Nicholas Gilgenbach, former Police Chief, in the amount of \$3,070 in favor of the Village of Columbus Grove's General Fund.

On September 20, 2018, Nicholas Gilgenbach repaid the Village of Columbus Grove \$3,070. The Village receipted the \$3,070 into the General Fund.

The Village should review its termination policy for all employees, and then verify that all payments are calculated in accordance with the policy prior to making any termination payments. Failure to do so could result in future findings for recovery.

Officials' Response:

The money has been recovered from Mr. Gilgenbach, and the Village is confident it now understands how to pay out sick time correctly.

FINDING NUMBER 2017-002

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying 2017 and 2016 financial statements:

- In 2016, capital outlay expenditures in the amount of \$1,042,577 were incorrectly classified as other in the Enterprise Fund.
- In 2016, principal retirement in the amount of \$685,465 was incorrectly classified as capital outlay in the Enterprise Fund.

- In 2017, the purchase of an EMS building was incorrectly classified as public health services in the General Fund instead of Capital Outlay in the Capital Improvement Fund in the amount of \$119,247.
- In 2017 and 2016, assigned fund balance was overstated and restricted fund balance was understated in the Capital Improvement Fund by \$94,162 and \$411,828, respectively.
- In 2017 and 2016, Ohio Department of Transportation grants in the amounts of \$109,716, and \$90,933, respectively, were incorrectly classified as miscellaneous revenue in the Special Revenue Street Construction Maintenance and Repair Fund instead of intergovernmental revenue.
- In 2016, Ohio Public Works Commission and Bureau of Workers Compensation grants' totaling \$115,171 was incorrectly classified as charges for services in the Enterprise Fund instead of intergovernmental revenue.
- In 2016, \$257,317 in the Special Revenue Fund was incorrectly classified as miscellaneous revenue instead of sale of notes.
- In 2016, \$1,272,137 in the Enterprise Special Sewer Fund was incorrectly classified as charges for services instead of sale of notes.
- In 2017, Ohio Water Development Authority on-behalf activity was not posted by the Village, which resulted in understating sale of notes, capital outlay, and appropriations in the Enterprise Fund by \$146,980.
- In 2017, the activity of a bank loan rollover was not posted by the Village, which resulted in understating the sale of notes and principal retirement by \$93,280 in the Capital Improvement Fund.
- In 2017, appropriations in the budgetary note to the financial statements did not agree to amounts approved by \$228,986, \$900,000, \$108,000, and \$936,593, in the Special Revenue, Debt Service, Capital Projects, and Enterprise Funds, respectively.
- In 2016, estimated receipts in the budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission in the General, Special Revenue, Capital Projects, and Enterprise Funds by \$236,343, \$344,684, \$337,117, and \$748,837, respectively.
- In 2016, appropriations in the budgetary note to the financial statements did not agree to amounts approved by \$207,399, \$395,958, \$668,128, and \$1,191,519, in the General, Special Revenue, Capital Projects, and Enterprise Funds, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the finance committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village Handbook which contains a chart of accounts as well as Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

Officials' Response:

Posting errors for 2016 continued as in prior years until after completion of the prior audit at the end of 2016. Corrections were made, as instructed per the audit, from that point on. The Village will continue to make improvements where needed, with assistance from auditors and guidance on the correct posting procedures.

FINDING NUMBER 2017-003

Material Weakness

Mayors Court

Governmental Accounting Standards Board (GASB) Cod 1300.102(c) provides that fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

The fines received are the property of the court and cannot be used to support the Village's own programs until they are distributed in accordance with Ohio Rev. Code § 733.40. As such, the activity should be reported in an Agency Fund to help ensure all court activity is properly accounted for and distributed to the appropriate agency.

The Village Mayor's Court activity was recorded in the Police Fund and in an Agency Fund in 2017 and in the Police Fund in 2016. This does not provide for correct presentation of the court activity and it allows for the Mayor's Court activity to be comingled with other revenues and expenditures which could be used to support the government's own programs.

These errors occurred due to deficiencies in policies and procedures over the Mayor's Court. Failing to record Mayor's court activity in a separate agency fund could result in those funds being used for unallowable purposes. The accompanying financial statements and accounting records were adjusted as follows:

In 2017, entries were made to cash, other non-operating disbursements, other non-operating revenues, and beginning fund balance for \$1,051, \$11,225, \$12,122, and \$154, respectively. In 2016 entries were made to cash, other non-operating disbursements, other non-operating revenues, and beginning fund balance for \$1,165, \$34,347, \$34,501, and \$1,011, respectively.

In order to improve internal controls over Mayor's Court revenues, remittances, and remaining fund balance, the Village should do 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:

Guidance has been received on the correct method of posting Mayor's Court activity, and the Village is confident that it will be done right moving forward. The Village is working hard to fix the issues that have been done incorrectly for many years, and now knows how to correctly post in the UAN system.

FINDING NUMBER 2017-004

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.

In 2016, the Village inappropriately recorded \$144,130 from the sale of land in the General Fund as charges for services receipts. Given the source of the revenue, this should have been recorded in the Capital Improvement Fund as sale of capital assets. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed posted to the proper funds.

Officials' Response:

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

FINDING NUMBER 2017-005

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(E) requires all proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in section **133.01** of the Revised Code, except premium and accrued interest, shall be paid into a special fund for the purpose of such issue, and any interest and other income earned on money in such special fund may be used for the purposes for which the indebtedness was authorized or may be credited to the general fund or other fund or account as the taxing authority authorizes and used for the purposes of that fund or account. The premium and accrued interest received from such sale shall be paid into the sinking fund or the bond retirement fund of the subdivision.

The Village inappropriately recorded \$100,000 of loan proceeds in the General Fund in 2016 as miscellaneous revenue. Given the source of the revenue, this should have been recorded in the Capital Improvement Fund as sale of notes. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed posted to the proper funds.

Officials' Response:

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

FINDING NUMBER 2017-006

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.05 provides that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges. The power to include in the general levy for current expenses additional amounts for purposes for which a special tax is authorized shall not affect the right or obligation to levy such special tax.

1981 Ohio Att’y Gen. Op. No. 81-035 provides that certain moneys paid into the General Fund which are not derived from a general levy for current expenses are placed in the General Fund precisely because their use is not restricted. Such monies may be used to pay debt charges provided that they have not been comingled with general fund monies which may not be used for debt payment. Where otherwise unrestricted monies have been paid into the General Fund and have been comingled with restricted monies to the extent that the particular source from which the monies originated cannot be distinguished, such monies may be used to pay debt charges only after they have been transferred to an appropriate fund pursuant to **Ohio Rev. Code § 5705.14**.

The Village’s general levy is restricted for current expenses and is comingled with unrestricted monies. In 2016, the Village paid the water meter loan payment from the General Fund in the amount of \$91,120. These funds should have been paid from the Capital Improvement Fund or transferred from the General Fund to the Capital Improvement Fund, with payment being made from the Capital Improvement Fund.

This error was a result of inadequate policies and procedures in monitoring financial statement information. As a result, the Village’s financial statements did not correctly reflect the financial activity of the Village. The financial statements have been adjusted to correct this and another error.

The Fiscal Officer should pay the debt payments involving capital improvements out of the Capital Improvement Fund or transfer out of the General Fund to a separate allowable fund to pay debt.

Officials’ Response:

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



VILLAGE OF COLUMBUS GROVE

113 EAST SYCAMORE STREET
COLUMBUS GROVE, OH 45830

CLERK 419-659-2365 ADMINISTRATOR 419-659-2982 WATER SEWER DEPT. 419-659-5441
FAX 419-659-2611

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	This finding was first reported in 2005. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as finding 2017-002 in this report.	Posting errors for 2016 continued as in prior years until after completion of the prior audit at the end of 2016. Corrections were made, as instructed per the audit, from that point on. The Village will continue to make improvements where needed, with assistance from auditors and guidance on the correct posting procedures.
2015-002	This finding was first reported in 2014. Material weakness on posting of Mayor's Court activity.	Not corrected and reissued as finding 2017-003 in this report.	The client declined to offer an explanation why the finding reoccurred. The Village has a better understanding of the posting issues and will be working to get the issues fixed in the system for the future postings.
2015-003	This finding was first reported in 2014. Material weakness and noncompliance on Village of Columbus Grove Ordinance 2014-05.	Partially corrected. Reissued in the Management Letter.	The client declined to offer an explanation why the finding reoccurred. The Village will continue to make improvements where needed, with assistance from auditors and guidance on the correct posting procedures.
2015-004	This finding was first reported in 2014. Ohio Rev. Code § 5705.10 for monies posted to incorrect funds and deficit fund balance.	Partially corrected. Reissued in the Management Letter.	The client declined to offer an explanation why the finding reoccurred. The Village will continue to make improvements where needed, with assistance from auditors and guidance on the correct posting procedures.
2015-005	Significant deficiency for lack of monitoring and policy over utility account adjustments.	Corrective action taken and finding is fully corrected.	



Dave Yost • 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
NOVEMBER 27, 2018