



**Auditor of State
Betty Montgomery**

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

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

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 21, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Columbus Grove, Putnam County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village

has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Columbus Grove, Putnam County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 21, 2005

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$70,081	\$70,304			\$140,385
Municipal Income Taxes	251,951		\$26,285		278,236
Special Assessments			11,926		11,926
Intergovernmental Receipts	111,766	87,955			199,721
Charges for Services	54,841	8,263			63,104
Fines, Licenses, and Permits	1,290	21,934			23,224
Earnings on Investments	9,120	247			9,367
Miscellaneous	10,203	583	2,171	\$3,131	16,088
Total Cash Receipts	509,252	189,286	40,382	3,131	742,051
Cash Disbursements:					
Current:					
Security of Persons and Property	137,753	212,186			349,939
Public Health Services	362				362
Leisure Time Activities	127,774				127,774
Community Environment	1,722				1,722
Basic Utility Services	2,870	4,731			7,601
Transportation	3,994	111,715			115,709
General Government	149,370	3,507			152,877
Debt Service:					
Principal Payments			669,116	48,400	717,516
Interest Payments			29,790	7,511	37,301
Capital Outlay				898,986	898,986
Total Cash Disbursements	423,845	332,139	698,906	954,897	2,409,787
Total Receipts Over/(Under) Disbursements	85,407	(142,853)	(658,524)	(951,766)	(1,667,736)
Other Financing Receipts and (Disbursements):					
Sale of Bonds			650,000		650,000
Sale of Notes		17,000			17,000
Other Financing Sources		55,000			55,000
Transfers-In			13,566	94,800	108,366
Advances-In	1,531	12,792			14,323
Other Financing Uses			(297)		(297)
Transfers-Out	(117,366)				(117,366)
Advances-Out	(12,792)	(1,531)			(14,323)
Total Other Financing Receipts/(Disbursements)	(128,627)	83,261	663,269	94,800	712,703
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(43,220)	(59,592)	4,745	(856,966)	(955,033)
Fund Cash Balances, January 1	90,789	160,035		858,690	1,109,514
Fund Cash Balances, December 31	\$47,569	\$100,443	\$4,745	\$1,724	\$154,481
Reserves for Encumbrances, December 31	\$7,070	\$6,218		\$6,322	\$19,610

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$293,230		\$293,230
Miscellaneous	1,440		1,440
Total Operating Cash Receipts	<u>294,670</u>		<u>294,670</u>
Operating Cash Disbursements:			
Personal Services	152,675		152,675
Travel Transportation	13		13
Contractual Services	71,078		71,078
Supplies and Materials	87,772		87,772
Total Operating Cash Disbursements	<u>311,538</u>		<u>311,538</u>
Operating Loss	<u>(16,868)</u>		<u>(16,868)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>13,387</u>	<u>\$26,923</u>	<u>40,310</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	23,959		23,959
Interest Payments	14,735		14,735
Other Non-Operating Cash Disbursements		<u>27,668</u>	<u>27,668</u>
Total Non-Operating Cash Disbursements	<u>38,694</u>	<u>27,668</u>	<u>66,362</u>
Excess of Disbursements Over Receipts Before Interfund Transfers	(42,175)	(745)	(42,920)
Transfers-In	<u>9,000</u>		<u>9,000</u>
Net Disbursements Over Receipts	(33,175)	(745)	(33,920)
Fund Cash Balances, January 1	<u>35,038</u>	<u>2,021</u>	<u>37,059</u>
Fund Cash Balances, December 31	<u>\$1,863</u>	<u>\$1,276</u>	<u>\$3,139</u>
Reserve for Encumbrances, December 31	<u>\$1,684</u>		<u>\$1,684</u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$69,949	\$77,229			\$147,178
Municipal Income Taxes	226,802				226,802
Special Assessments			11,952		11,952
Intergovernmental Receipts	92,692	85,993			178,685
Charges for Services	28,855	9,344			38,199
Fines, Licenses, and Permits	1,620	22,558			24,178
Earnings on Investments	9,287	656			9,943
Donations				\$120,000	120,000
Miscellaneous	13,664	441		2,941	17,046
Total Cash Receipts	442,869	196,221	11,952	122,941	773,983
Cash Disbursements:					
Current:					
Security of Persons and Property	142,026	53,981			196,007
Public Health Services	864				864
Leisure Time Activities	28,372				28,372
Community Environment	1,714				1,714
Basic Utility Services	1,580	9,930			11,510
Transportation	10,710	93,630			104,340
General Government	122,396	1,738			124,134
Debt Service:					
Principal Payments	7,938		22,993	25,261	56,192
Interest Payments	216		9,650	8,383	18,249
Capital Outlay	27,215	23,050		61,528	111,793
Total Cash Disbursements	343,031	182,329	32,643	95,172	653,175
Total Receipts Over/(Under) Disbursements	99,838	13,892	(20,691)	27,769	120,808
Other Financing Receipts and (Disbursements):					
Sale of Notes				650,000	650,000
Sale of Fixed Assets		1,521			1,521
Transfers-In			15,994	82,000	97,994
Advances-In	12,542				12,542
Other Financing Uses	(3,112)		(308)		(3,420)
Transfers-Out	(107,829)				(107,829)
Advances-Out		(12,542)			(12,542)
Total Other Financing Receipts/(Disbursements)	(98,399)	(11,021)	15,686	732,000	638,266
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,439	2,871	(5,005)	759,769	759,074
Fund Cash Balances, January 1	89,350	157,164	5,005	98,921	350,440
Fund Cash Balances, December 31	\$90,789	\$160,035		\$858,690	\$1,109,514
Reserves for Encumbrances, December 31				\$61,903	\$61,903

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$293,501		\$293,501
Miscellaneous	3,557		3,557
Total Operating Cash Receipts	<u>297,058</u>		<u>297,058</u>
Operating Cash Disbursements:			
Personal Services	141,949		141,949
Travel Transportation	153		153
Contractual Services	83,083		83,083
Supplies and Materials	70,100		70,100
Capital Outlay	341,297		341,297
Total Operating Cash Disbursements	<u>636,582</u>		<u>636,582</u>
Operating Loss	<u>(339,524)</u>		<u>(339,524)</u>
Non-Operating Cash Receipts:			
Proceeds from Bonds	340,000		340,000
Other Non-Operating Receipts	16,011	\$26,128	42,139
Total Non-Operating Cash Receipts	<u>356,011</u>	<u>26,128</u>	<u>382,139</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	40,786		40,786
Interest Payments	9,544		9,544
Other Non-Operating Cash Disbursements		28,446	28,446
Total Non-Operating Cash Disbursements	<u>50,330</u>	<u>28,446</u>	<u>78,776</u>
Excess of Disbursements Over Receipts Before Interfund Transfers	(33,843)	(2,318)	(36,161)
Transfers-In	9,835		9,835
Net Disbursements Over Receipts	(24,008)	(2,318)	(26,326)
Fund Cash Balances, January 1	59,046	4,339	63,385
Fund Cash Balances, December 31	<u>\$35,038</u>	<u>\$2,021</u>	<u>\$37,059</u>
Reserve for Encumbrances, December 31	<u>\$7,916</u>		<u>\$7,916</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost. STAR Ohio is recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

Fire Levy Fund -This fund receives the property tax money levied to purchase equipment for the fire department of the village.

3. Debt Service Funds

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

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

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

Pool Renovation Debt Service Fund -This fund receives one quarter of one percent income tax money for retiring debt issued for the renovation of the Village swimming pool.

4. Capital Project Funds

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

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

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

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.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

Waste Water Treatment Plant Capital Improvement Fund - This fund received bond proceeds for acquiring real estate and interests in real estate and costs associated therewith for the expansion and improvement of the Villages sanitary sewer treatment plant and related facilities.

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

6. Fiduciary Funds (Agency Funds)

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

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

E. Budgetary Process

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

1. Appropriations

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	(\$2,065)	\$659,345
Certificates of deposit	154,399	482,005
Total deposits	152,334	1,141,350
 STAR Ohio	 5,286	 5,223
Total investments	5,286	5,223
 Total deposits and investments	 \$157,620	 \$1,146,573

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$469,449	\$509,252	\$39,803
Special Revenue	257,624	261,286	3,662
Debt Service	688,000	703,948	15,948
Capital Projects	97,641	97,931	290
Enterprise	323,000	317,057	(5,943)
Total	\$1,835,714	\$1,889,474	\$53,760

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$550,000	\$548,281	\$1,719
Special Revenue	324,850	338,357	(13,507)
Debt Service	38,000	699,203	(661,203)
Capital Projects	920,000	961,219	(41,219)
Enterprise	350,000	351,916	(1,916)
Total	<u>\$2,182,850</u>	<u>\$2,898,976</u>	<u>(\$716,126)</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$483,340	\$442,869	(\$40,471)
Special Revenue	180,323	197,742	17,419
Debt Service	40,000	27,946	(12,054)
Capital Projects	130,950	854,941	723,991
Enterprise	651,577	662,904	11,327
Total	<u>\$1,486,190</u>	<u>\$2,186,402</u>	<u>\$700,212</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$575,149	\$453,972	\$121,177
Special Revenue	348,342	182,329	166,013
Debt Service	44,972	32,951	12,021
Capital Projects	228,950	157,075	71,875
Enterprise	671,840	694,828	(22,988)
Total	<u>\$1,869,253</u>	<u>\$1,521,155</u>	<u>\$348,098</u>

The Village did not certify some disbursements. In addition, the Village had \$21,294 and \$69,819 in outstanding purchase commitments as of December 31, 2004 and 2003 respectively, which were not certified at year end.

Expenditures exceeded appropriations in the following funds, at the dates indicated:

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

Fund	Amount Appropriated	Amount Expended	Variance
December 31, 2004:			
Street Construction, Maintenance, and Repair Fund	\$67,000	\$77,069	(\$10,069)
State Highway Fund	5,000	5,960	(960)
Fire Levy Fund	100,000	169,082	(69,082)
Pool Renovation Debt Service Fund		671,540	(671,540)
Pool Renovation Fund	720,000	724,478	(4,478)
Capital Improvements Fund	200,000	236,741	(36,741)
Water Fund	115,000	119,327	(4,327)
Sanitary Sewer Fund	200,000	212,508	(12,508)
December 31, 2003:			
Pool Renovation Capital Project Fund	\$43,950	\$107,715	(\$63,765)
Water Fund	105,624	121,285	(15,661)
Waste Water Treatment Plant Debt Service Fund		14,544	(14,544)
Waste Water Treatment Plant Capital Improvement Fund	341,137	344,608	(3,471)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

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

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 Debt Service Fund for retirement of swimming pool renovation debt.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$1,211,546	4.25-5.75%
Ohio Public Works Commission Loans	255,271	0%
General Obligation Note	17,000	4.50%
Lease Purchase	15,079	4.20%
Total	<u>\$1,498,896</u>	

Outstanding general obligation bonds include \$67,344 for sidewalk improvements, \$311,000 for acquisition of land for and costs associated with the expansion and improvement of the Villages sanitary sewer treatment plant and related facilities, \$68,702 for industrial park development, \$114,500 for water and sewer system improvements, and \$650,000 for retiring notes used for swimming pool improvements. The sidewalk improvement bonds were issued in 2001 at an interest rate of 5% with final maturity in 2011, these bonds will be retired through special assessments levied against affected property owners. Sanitary Sewer Improvement Bonds were issued in 2003 at an interest rate of 4.25% with final maturity in 2017, sewer revenues will be used to retire this debt. The industrial park note was issued in 2001 at an interest rate of 5.5% with final maturity of 2010. The water and sewer system improvement notes were issued in at an interest rate of 5.75% with final maturity in 2016, water and sewer revenues are being used to retire this debt. The pool renovation bonds were issued in 2004 at an interest rate of 4.375% with final maturity in 2019, the voters of the Village approved an addition .25 percent income tax to retire this debt.

The Ohio Public Works Commission (OPWC) loans include a loan for water tower installation and improvements (\$214,671) and a loan for sewer lines (\$40,600) in the Village. The loans will be repaid in semiannual installments of \$17,174 and 2,900, over 20 years. The loans are collateralized by water and sewer receipts.

Outstanding general obligation note includes a \$17,000 for purchase of a fire truck. The fire truck note was issued in 2004 at an interest rate of 4.5%. The note was retired in 2005 with revenues from an agreement with Pleasant Township.

A lease/purchase agreement was entered into for the purchase of a sewer camera. The payments on the sewer camera are to be made from the sewer fund; the obligation will be paid in full in 2005.

Amortization of the above debt, including interest, follows:

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

<u>Year ending December 31:</u>	<u>OPWC Loans</u>	<u>General Obligation Bonds</u>	<u>General Obligation Note</u>	<u>Lease Purchase</u>
2005	\$10,037	\$136,091	\$17,410	\$15,712
2006	20,074	138,155		
2007	20,074	137,342		
2008	20,074	134,240		
2009	20,074	134,154		
2010-2014	100,368	543,933		
2015-2019	64,570	393,773		
Total	<u>\$255,271</u>	<u>\$1,617,688</u>	<u>\$17,410</u>	<u>\$15,712</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5 percent portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5 percent or \$25,000 of casualty losses and the lesser of 5 percent or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	<u>2,227,808</u>	<u>1,871,123</u>
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

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

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**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Columbus Grove, Putnam County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 21, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated October 21, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

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

objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated October 21, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

October 21, 2005

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

- A. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2004-001
(Continued)**

Forty-five percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village had \$21,294 and \$69,819 in outstanding purchase commitments as of December 31, 2004 and 2003, respectively that were not certified at year end. The accompanying budgetary presentations have been adjusted to reflect this amount as an outstanding encumbrance at year end.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Clerk. We also recommend the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk and recorded against appropriations.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states in part that no subdivision is to expend money unless it has been appropriated as provided in this chapter.

Expenditures exceeded appropriations in the following funds, at the dates indicated:

Fund	Amount Appropriated	Amount Expended	Variance
December 31, 2004:			
Street Construction, Maintenance, and Repair Fund	\$67,000	\$77,069	(\$10,069)
State Highway Fund	5,000	5,960	(960)
Fire Levy Fund	100,000	169,082	(69,082)
Pool Renovation Debt Service Fund		671,540	(671,540)
Pool Renovation Fund	720,000	724,478	(4,478)
Capital Improvements Fund	200,000	236,741	(36,741)
Water Fund	115,000	119,327	(4,327)
Sanitary Sewer Fund	200,000	212,508	(12,508)
December 31, 2003:			
Pool Renovation Capital Project Fund	\$43,950	\$107,715	(\$63,765)
Water Fund	105,624	121,285	(15,661)
Waste Water Treatment Plant Debt Service Fund		14,544	(14,544)
Waste Water Treatment Plant Capital Improvement Fund	341,137	344,608	(3,471)

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request that Council approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC § 5705.41 (D) Certification of disbursements.	No	The finding has not been corrected and is repeated as finding 2004-001 in this report.



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 10, 2005**