



Dave Yost • Auditor of State

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	23

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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 and related notes of the Village of Columbus Grove, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Columbus Grove, Putnam County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2014, 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

June 9, 2014

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$77,504	\$57,669			\$135,173
Municipal Income Tax	483,361			\$109,556	592,917
Intergovernmental	139,058	143,439		204,768	487,265
Special Assessments	432				432
Charges for Services	64,608	13,192			77,800
Fines, Licenses and Permits	1,403	44,086			45,489
Earnings on Investments	7,932	297			8,229
Crop Sales			\$19,584		19,584
Payment in Lieu of Taxes			3,085		3,085
Miscellaneous	7,225	6,736			13,961
<i>Total Cash Receipts</i>	<u>781,523</u>	<u>265,419</u>	<u>22,669</u>	<u>314,324</u>	<u>1,383,935</u>
Cash Disbursements					
Current:					
Security of Persons and Property	153,180				153,180
Public Health Services	4,895				4,895
Leisure Time Activities	122,686				122,686
Community Environment	1,700				1,700
Basic Utility Services	3,578	41,657			45,235
Transportation	1,952	132,581			134,533
General Government	225,076	72,439		24,152	321,667
Capital Outlay	103,051			109,961	213,012
Debt Service:					
Principal Retirement	23,796		19,000	67,004	109,800
Interest and Fiscal Charges	5,893		1,036	2,654	9,583
<i>Total Cash Disbursements</i>	<u>645,807</u>	<u>246,677</u>	<u>20,036</u>	<u>203,771</u>	<u>1,116,291</u>
<i>Excess of Receipts Over Disbursements</i>	<u>135,716</u>	<u>18,742</u>	<u>2,633</u>	<u>110,553</u>	<u>267,644</u>
Other Financing Receipts (Disbursements)					
Transfers In	204,223	20,000		183,136	407,359
Transfers Out	(273,136)			(204,223)	(477,359)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(68,913)</u>	<u>20,000</u>		<u>(21,087)</u>	<u>(70,000)</u>
<i>Net Change in Fund Cash Balances</i>	66,803	38,742	2,633	89,466	197,644
<i>Fund Cash Balances, January 1</i>	<u>120,887</u>	<u>254,260</u>	<u>6,641</u>	<u>234,398</u>	<u>616,186</u>
Fund Cash Balances, December 31					
Restricted		256,679		181,272	437,951
Committed		36,323			36,323
Assigned			9,274	142,592	151,866
Unassigned	187,690				187,690
<i>Fund Cash Balances, December 31</i>	<u>\$187,690</u>	<u>\$293,002</u>	<u>\$9,274</u>	<u>\$323,864</u>	<u>\$813,830</u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$756,858		\$756,858
Operating Cash Disbursements			
Personal Services	241,993		241,993
Contractual Services	3,764,958		3,764,958
Supplies and Materials	116,318		116,318
<i>Total Operating Cash Disbursements</i>	4,123,269		4,123,269
<i>Operating Loss</i>	(3,366,411)		(3,366,411)
Non-Operating Receipts (Disbursements)			
Intergovernmental	506,374		506,374
OWDA Loan Proceeds	3,221,407		3,221,407
Principal Retirement	(233,159)		(233,159)
Other NonOperating Cash Receipts		\$52,316	52,316
Other NonOperating Cash Disbursements		(53,921)	(53,921)
<i>Total Non-Operating Receipts (Disbursements)</i>	3,494,622	(1,605)	3,493,017
<i>Income (Loss) before Transfers</i>	128,211	(1,605)	126,606
Transfers In	70,000		70,000
<i>Net Change in Fund Cash Balances</i>	198,211	(1,605)	196,606
<i>Fund Cash Balances, January 1</i>	740,243	2,817	743,060
<i>Fund Cash Balances, December 31</i>	\$938,454	\$1,212	\$939,666

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$76,591	\$57,769			\$134,360
Municipal Income Tax	514,917			\$156,673	671,590
Intergovernmental	108,201	125,614		12,485	246,300
Special Assessments	252				252
Charges for Services	61,082	18,655			79,737
Fines, Licenses and Permits	1,945	39,988			41,933
Earnings on Investments	10,486	526			11,012
Insurance Proceeds	66,400				66,400
Crop Sales			\$18,876		18,876
Payment in Lieu of Taxes			3,649		3,649
Miscellaneous	26,532	2,522			29,054
<i>Total Cash Receipts</i>	<u>866,406</u>	<u>245,074</u>	<u>22,525</u>	<u>169,158</u>	<u>1,303,163</u>
Cash Disbursements					
Current:					
Security of Persons and Property	152,739	195			152,934
Public Health Services	4,530				4,530
Leisure Time Activities	91,179				91,179
Community Environment	700				700
Basic Utility Services	3,297	51,036			54,333
Transportation	2,114	126,102			128,216
General Government	472,273	32,937		30,504	535,714
Capital Outlay	269,552			120,836	390,388
Debt Service:					
Principal Retirement			25,000	184,668	209,668
Interest and Fiscal Charges			1,971	6,065	8,036
<i>Total Cash Disbursements</i>	<u>996,384</u>	<u>210,270</u>	<u>26,971</u>	<u>342,073</u>	<u>1,575,698</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(129,978)</u>	<u>34,804</u>	<u>(4,446)</u>	<u>(172,915)</u>	<u>(272,535)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	264,552				264,552
Transfers In			10,555	200,491	211,046
Transfers Out	(216,046)				(216,046)
Other Financing Sources	25,000				25,000
Other Financing Uses			(15,091)	(669)	(15,760)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>73,506</u>		<u>(4,536)</u>	<u>199,822</u>	<u>268,792</u>
<i>Net Change in Fund Cash Balances</i>	<u>(56,472)</u>	<u>34,804</u>	<u>(8,982)</u>	<u>26,907</u>	<u>(3,743)</u>
<i>Fund Cash Balances, January 1</i>	<u>177,359</u>	<u>219,456</u>	<u>15,623</u>	<u>207,491</u>	<u>619,929</u>
Fund Cash Balances, December 31					
Restricted		223,059		128,175	351,234
Committed		20,740			20,740
Assigned		10,461	6,641	106,223	123,325
Unassigned	120,887				120,887
<i>Fund Cash Balances, December 31</i>	<u>\$120,887</u>	<u>\$254,260</u>	<u>\$6,641</u>	<u>\$234,398</u>	<u>\$616,186</u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$694,360		\$694,360
Operating Cash Disbursements			
Personal Services	169,478		169,478
Contractual Services	2,871,552		2,871,552
Supplies and Materials	112,164		112,164
<i>Total Operating Cash Disbursements</i>	<u>3,153,194</u>		<u>3,153,194</u>
<i>Operating Loss</i>	<u>(2,458,834)</u>		<u>(2,458,834)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	339,026		339,026
OPWC Loan Proceeds	690,608		690,608
OWDA Loan Proceeds	2,194,979		2,194,979
Principal Retirement	(668,131)		(668,131)
Other NonOperating Cash Receipts		\$55,635	55,635
Other NonOperating Cash Disbursements		(54,784)	(54,784)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>2,556,482</u>	<u>851</u>	<u>2,557,333</u>
<i>Income before Transfers</i>	97,648	851	98,499
Transfers In	5,000		5,000
<i>Net Change in Fund Cash Balances</i>	102,648	851	103,499
<i>Fund Cash Balances, January 1</i>	<u>637,595</u>	<u>1,966</u>	<u>639,561</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$740,243</u></u>	<u><u>\$2,817</u></u>	<u><u>\$743,060</u></u>

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Debt Service Fund

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

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

4. Capital Project Funds

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

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

Waterline Stimulus Fund – This fund receives loan proceeds from Drinking Water Assistance Fund (DWAF) Other Projects and grant proceeds from DWAF American Recovery and Reinvestment Act (ARRA) money which are managed by the Ohio Water Department Authority for replacement of waterlines on North Main, Birch, Grove, Taylor and Taft Streets. The loan will be repaid using revenue generated by water rates.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

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

E. Budgetary Process

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. 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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2013	2012
Demand deposits	\$496,714	\$110,462
Certificates of deposit	1,047,120	1,039,201
Other time deposits (money market)	175,197	175,133
Total deposits	1,719,031	1,324,796
STAR Ohio	34,465	34,450
Total deposits and investments	\$1,753,496	\$1,359,246

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

At December 31, 2013 and 2012, \$68,437 and \$62,942, respectively, of deposits were not insured

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

or collateralized, contrary to Ohio law.

Investments:

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,295,841	\$985,746	(\$310,095)
Special Revenue	635,363	285,419	(349,944)
Debt Service	31,641	22,669	(8,972)
Capital Projects	1,098,621	497,460	(601,161)
Enterprise	6,312,244	4,554,639	(1,757,605)
Total	\$9,373,710	\$6,345,933	(\$3,027,777)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$926,100	\$918,943	\$7,157
Special Revenue	367,546	246,677	120,869
Debt Service	31,641	20,036	11,605
Capital Projects	669,408	443,541	225,867
Enterprise	5,265,544	4,356,428	909,116
Total	\$7,260,239	\$5,985,625	\$1,274,614

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,197,633	\$1,155,958	(\$41,675)
Special Revenue	477,423	245,074	(232,349)
Debt Service	45,623	33,080	(12,543)
Capital Projects	634,822	369,649	(265,173)
Enterprise	4,953,296	3,923,973	(1,029,323)
Total	\$7,308,797	\$5,727,734	(\$1,581,063)

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,194,754	\$1,212,430	(\$17,676)
Special Revenue	332,155	210,270	121,885
Debt Service	45,500	42,062	3,438
Capital Projects	499,000	342,742	156,258
Enterprise	4,897,258	3,821,325	1,075,933
Total	\$6,968,667	\$5,628,829	\$1,339,838

Contrary to Ohio law, the Village did not certify commitments as required for year ended December 31, 2013. Also contrary to Ohio law, variances were noted between appropriation amounts approved and amounts posted to the accounting system for years ended December 31, 2013 and 2012.

4. Property Tax

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

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

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

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2013, was as follows:

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

	Principal	Interest Rate
Ohio Public Works Commission Loans	\$752,233	0%
Ohio Water Development Authority Loans	6,934,222	0%
General Obligation Bonds	85,818	4.375%
General Obligation Loans	240,635	1.8%
Total	\$8,012,908	

In 2011 the Village refinanced \$390,000 in general obligation bonds (the Bonds) for the purpose of refunding at a lower interest cost the Village's outstanding (i) Real Estate Acquisition Bond, Series 2003, dated March 20, 2003, and (ii) Recreational Facilities Improvement Bonds, Series 2004, dated December 10, 2004. The replacement bond issue has a final maturity in 2017. Proceeds from land sales will be used to repay the Real Estate portion of this debt (\$27,818) and the voters of the Village approved an additional .25 percent income tax to retire the recreational facilities portion (\$58,000).

Outstanding General Obligation Loans consisted of the following issue: A \$240,635 loan at the Fort Jennings State Bank was issued in 2012 at an interest rate of 2.25% with final maturity in 2022 to fund the purchase of the Hitchcock Farm.

The Ohio Public Works Commission (OPWC) loans include a loan for water tower installation and improvements (\$68,695) a loan for sewer lines (\$15,950) in the Village and a loan for wastewater improvements (\$667,588). The loans will be repaid in semiannual installments of \$8,587, \$1,450 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 water tower (\$27,430), a loan for the waterline (\$162,993), a loan for Wastewater Treatment Improvements (\$291,628) a loan for CSO Separation Phase I (\$2,655,754) and Phase II CSO Construction (\$3,796,417). The loans will be paid over 20 years for the water tower and waterline loan and is included in the accompanying amortization schedule. The Village does not yet have an amortization schedule for the Phase I and II Sewer separation phase projects and are not included in the below table.

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

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

Year	General Obligation Bonds		OPWC Loan	General Obligation Loans		OWDA Loan
	Principal	Interest	Principal	Principal	Interest	Principal
2014	\$55,000	\$3,755	\$43,094	\$24,409	\$5,279	\$13,817
2015	30,818	1,348	43,094	24,962	4,727	27,634
2016			43,094	25,515	4,173	27,634
2017			43,094	26,104	3,585	27,634
2018			25,921	26,694	2,994	27,634
2019-2023			116,551	112,951	5,803	138,172
2024-2028			115,101			138,172
2029-2033			115,101			81,354
2034-2038			115,101			
2039-2042			92,082			
Totals	<u>\$85,818</u>	<u>\$5,103</u>	<u>\$752,233</u>	<u>\$240,635</u>	<u>\$26,561</u>	<u>\$482,051</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10.75% (July 2013) and 10% respectively of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

8. Risk Management

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Villages. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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 ARPCO. Member Villages 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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member Villages in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$27,000.

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$29,833	\$31,654

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

9. Contingent Liabilities

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Village's financial condition.

**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

10. Subsequent Events

On March 10, 2014, Council approved a contract for Fairview Street Extension to Hohenbrink Excavating in the amount of \$54,713. The Village will be reimbursed by the railroad for the entire amount when the contract is complete.

11. Contracts Outstanding

At December 31, 2013 the Village had the following outstanding contracts:

Sewer separation and Waste Water Treatment Plant Improvements. The total outstanding amount of the contract with Stillion Brothers was \$294,539 paid with Ohio Water Development Authority, with zero percent interest monies.

Phase II Wastewater Treatment Plant project with VTF Excavating. The total outstanding amount of the contract was \$92,049 paid with Ohio Water Development Authority, with zero percent interest and Ohio Public Works monies.

12. Interfund Transfers

Interfund transfers for the year ended December 31, 2013 and 2012, consisted of the following, as reported on the fund statements:

December 31, 2013

Transfers from the General Fund to:	Amount
Special Revenue Funds:	
Street Construction, Maintenance and Repair	\$20,000
Capital Projects Fund	
Capital Improvement Fund	183,136
Proprietary Funds:	
Water Fund	30,000
Sewer Fund	40,000
Total Transfers	\$273,136

The Federal Emergency Management Agency Fund transferred \$204,223 to the General Fund to reimburse for wind storm expenses incurred in 2012.

December 31, 2012

Transfers from the General Fund to:	Amount
Debt Service Funds:	
Waste Water Treatment Plant Debt Fund	\$10,555
Capital Projects Fund	
Capital Improvement Fund	200,491
Proprietary Funds:	
Water Fund	5,000
Total Transfers	\$216,046



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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 Village of Columbus Grove, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 9, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2013-003 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 9, 2014

VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code §5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify 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 void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above 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, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

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

Seventy-eight percent of the expenditures tested were not certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

FINDING NUMBER 2013-001 (Continued)

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 receive prior certification of the Fiscal Officer. We also recommend the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer, and recorded against appropriations.

FINDING NUMBER 2013-002

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code §5705.40 provides in part that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriations. We noted the following variances between amounts approved and amounts posted to the accounting system:

2013	Posted	Approved	Variance
General Fund	\$1,009,800	\$926,100	\$83,700
Special Sewer Fund	4,936,500	4,886,500	50,000
2012	Posted	Approved	
General Fund	1,199,620	1,194,754	4,866
Capital Improvement Fund	\$336,000	\$335,000	1,000

Failure to obtain Council approval for all amendments could result in expenditures being made that are not within the intentions of Council and could result in deficit spending. The accompanying notes to the financial statements have been corrected to reflect the above noted approved amounts.

The Village should develop policies and implement procedures to assure that all appropriation amendments are properly approved by Council prior to being posted to the Village's system and submitted to the County Budget Commission. We further recommend Council review the posted budgetary amounts periodically to ensure they match the amounts approved by Council.

FINDING NUMBER 2013-003

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2013 and 2012 financial statements contained material errors, such as the following:

- Crop Sales revenues in the amount of \$19,584 and \$18,876, were recorded as Charges for Services in the Debt Service Fund in 2013 and 2012, respectively.
- OPWC loan proceeds of \$690,608 were recorded as Intergovernmental Revenue in the Enterprise fund in 2012.
- OWDA Loan Proceeds and corresponding contractual services expense spent on behalf of the Village in the amount of \$278,049 were not reported in 2012.

FINDING NUMBER 2013-003 (Continued)

Material Weakness (Continued)

- OWDA Loan Proceeds of \$3,221,407 and \$2,194,979 were recorded as Intergovernmental Revenue in the Enterprise fund in 2013 and 2012, respectively.
- \$35,547 in outstanding encumbrances in the Capital Projects Fund at December 31, 2013 was unrecorded on the budgetary note to the financial statements.

Fifteen adjusting entries were posted to the financial statements and notes to the financial statements to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

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

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**VILLAGE OF COLUMBUS GROVE
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Rev. Code § 5705.41(D) regarding certification of disbursements.	No	Not Corrected. Repeated as Finding 2013-001 in this report
2011-002	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	No	Partially Corrected. Repeated in management letter
2011-003	Monitoring of financial statements recommendation due to reporting errors.	No	Not Corrected. Repeated as Finding 2013-003 in this report

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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
JUNE 24, 2014