



**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014



Dave Yost • Auditor of State

VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Commercial Point
Pickaway County
10 W. Scioto Street
Commercial Point, Ohio 43316

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Commercial Point, Pickaway County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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 Village of Commercial Point, Pickaway as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016, 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

September 30, 2016

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 79,322	\$ -	\$ 79,322
Municipal Income Tax	502,223	-	502,223
Intergovernmental	24,494	85,091	109,585
Charges for Services	-	33,240	33,240
Fines, Licenses and Permits	13,375	185	13,560
Earnings on Investments	6,200	135	6,335
Miscellaneous	12,866	-	12,866
<i>Total Cash Receipts</i>	<u>638,480</u>	<u>118,651</u>	<u>757,131</u>
Cash Disbursements			
Current:			
Security of Persons & Property	158,618	-	158,618
Public Health Services	6,050	-	6,050
Community Environment	5,972	33,224	39,196
Basic Utility Services	25	-	25
Transportation	181,209	28,384	209,593
General Government	116,142	-	116,142
<i>Total Cash Disbursements</i>	<u>468,016</u>	<u>61,608</u>	<u>529,624</u>
<i>Excess of Receipts Over Disbursements</i>	<u>170,464</u>	<u>57,043</u>	<u>227,507</u>
<i>Fund Cash Balances, January 1</i>	<u>1,018,795</u>	<u>236,632</u>	<u>1,255,427</u>
Fund Cash Balances, December 31			
Restricted	-	293,675	293,675
Assigned	1,187,480	-	1,187,480
Unassigned	1,779	-	1,779
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,189,259</u>	<u>\$ 293,675</u>	<u>\$ 1,482,934</u>

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

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

	<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	\$ 1,730,773	\$ -	\$ 1,730,773
<i>Total Operating Cash Receipts</i>	<u>1,730,773</u>	<u>-</u>	<u>1,730,773</u>
Operating Cash Disbursements			
Personal Services	150,277	-	150,277
Fringe Benefits	27,016	-	27,016
Contractual Services	315,971	-	315,971
Supplies and Materials	137,551	-	137,551
<i>Total Operating Cash Disbursements</i>	<u>630,815</u>	<u>-</u>	<u>630,815</u>
<i>Operating Income</i>	<u>1,099,958</u>	<u>-</u>	<u>1,099,958</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	-	3	3
Other Non-Operating Receipts	-	5,847	5,847
Other Non-Operating Disbursements	-	(5,631)	(5,631)
Capital Outlay	(38,310)	-	(38,310)
Principal Retirement	(234,514)	-	(234,514)
Interest and Other Fiscal Charges	(45,250)	-	(45,250)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(318,074)</u>	<u>219</u>	<u>(317,855)</u>
<i>Net Change in Fund Cash Balances</i>	781,884	219	782,103
<i>Fund Cash Balances, January 1</i>	<u>3,942,774</u>	<u>1,107</u>	<u>3,943,881</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 4,724,658</u>	<u>\$ 1,326</u>	<u>\$ 4,725,984</u>

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

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 62,737	\$ -	\$ 62,737
Municipal Income Tax	453,283	-	453,283
Intergovernmental	23,645	78,726	102,371
Charges for Services	-	5,600	5,600
Fines, Licenses and Permits	22,355	35	22,390
Earnings on Investments	1,987	74	2,061
Miscellaneous	15,221	-	15,221
<i>Total Cash Receipts</i>	<u>579,228</u>	<u>84,435</u>	<u>663,663</u>
Cash Disbursements			
Current:			
Security of Persons & Property	139,973	-	139,973
Public Health Services	6,709	-	6,709
Community Environment	6,131	4,100	10,231
Basic Utility Services	1,664	-	1,664
Transportation	94,234	36,474	130,708
General Government	83,384	-	83,384
<i>Total Cash Disbursements</i>	<u>332,095</u>	<u>40,574</u>	<u>372,669</u>
<i>Excess of Receipts Over Disbursements</i>	<u>247,133</u>	<u>43,861</u>	<u>290,994</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	1,100	1,100
Transfers Out	(1,100)	-	(1,100)
	\$0		
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,100)</u>	<u>1,100</u>	<u>-</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</i>	246,033	44,961	290,994
<i>Fund Cash Balances, January 1</i>	<u>772,762</u>	<u>191,671</u>	<u>964,433</u>
Fund Cash Balances, December 31			
Restricted	-	236,632	236,632
Assigned	1,018,795	-	1,018,795
Unassigned	-	-	-
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,018,795</u>	<u>\$ 236,632</u>	<u>\$ 1,255,427</u>

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

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

	<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	\$ 2,029,493	\$ -	\$ 2,029,493
<i>Total Operating Cash Receipts</i>	<u>2,029,493</u>	<u>-</u>	<u>2,029,493</u>
Operating Cash Disbursements			
Personal Services	160,453	-	160,453
Fringe Benefits	30,260	-	30,260
Contractual Services	242,454	-	242,454
Supplies and Materials	113,436	-	113,436
Other	133,046	-	133,046
<i>Total Operating Cash Disbursements</i>	<u>679,649</u>	<u>-</u>	<u>679,649</u>
<i>Operating Income</i>	<u>1,349,844</u>	<u>-</u>	<u>1,349,844</u>
Non-Operating Receipts (Disbursements)			
Other Non-Operating Receipts	-	14,141	14,141
Other Non-Operating Disbursements	-	(16,007)	(16,007)
Capital Outlay	(110,438)	-	(110,438)
Principal Retirement	(221,732)	-	(221,732)
Interest and Other Fiscal Charges	(58,031)	-	(58,031)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(390,201)</u>	<u>(1,866)</u>	<u>(392,067)</u>
<i>Net Change in Fund Cash Balances</i>	959,643	(1,866)	957,777
<i>Fund Cash Balances, January 1</i>	<u>2,983,131</u>	<u>2,973</u>	<u>2,986,104</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,942,774</u>	<u>\$ 1,107</u>	<u>\$ 3,943,881</u>

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

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Commercial Point, Pickaway County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides the following services: water and sewer utilities, mayor's court, general government services, road and bridge maintenance, and police services. The Village receives fire protection services, which are provided by Scioto Township.

The Village participates in a public entity risk pool. The Ohio Plan Risk Management (OPRM), is a risk sharing pool available to Ohio small governments. Note 9 to the financial statements provides additional information for that entity.

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

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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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.

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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. The Village had the following significant Special Revenue Funds:

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

Housing Development Fund – This fund receives monies from developers for new developments within Commercial Point.

3. Debt Service Funds

This fund accounts for resources used to meet the Village's debt requirements.

4. 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.

Garbage Fund - This fund receives charges for services from residents to cover the costs of providing the utility.

5. Fiduciary Funds

Fiduciary funds include the Village's agency fund.

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

E. Budgetary Process

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

VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding for the years ending December 31, 2015 and 2014 are \$5,289 and \$ 0.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

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 COMMERCIAL POINT
PICKAWAY COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (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:

	2015	2014
Demand deposits	\$1,924,645	\$3,715,035
STAR Ohio	4,284,273	1,484,273
Total deposits and investments	<u>\$6,208,918</u>	<u>\$5,199,308</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

3. Budgetary Activity

Budgetary activity for the years ending 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$453,654	\$638,480	\$184,826
Special Revenue	71,321	118,651	47,330
Enterprise	1,241,000	1,730,773	489,773
Total	\$1,765,975	\$2,487,904	\$721,929

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,472,450	\$469,794	\$1,002,656
Special Revenue	307,953	61,608	246,345
Enterprise	5,183,773	952,399	4,231,374
Total	\$6,964,176	\$1,483,801	\$5,480,375

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$439,752	\$579,228	\$139,476
Special Revenue	41,288	85,535	44,247
Enterprise	1,220,000	2,029,493	809,493
Total	\$1,701,040	\$2,694,256	\$993,216

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,209,242	\$333,195	\$876,047
Special Revenue	232,960	40,574	192,386
Enterprise	4,199,426	1,069,850	3,129,576
Total	\$5,641,628	\$1,443,619	\$4,198,009

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.

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

4. Property Tax (Continued)

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 percent for the year 2014 and ¾ percent for the year 2015 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.

6. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$125,127	6%
Ohio Water Development Authority Loan	\$405,097	6%
Ohio Public Works Commission	59,160	0%
Total	\$589,384	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project. The Village borrowed \$ 3,058,925 in loans from OWA for this project. The Village will repay the loans in semiannual installments of \$ 45,268 (for the water loan) and \$ 89,684 (for the sewer loan), including interest, over 20 years. Water and sewer receipts collateralize the loan. In addition, the Village has a loan with Ohio Public Works Commission (OPWC), which relates to the water tower. The Village borrowed \$ 197,201, with semi-annual payments of \$ 4,930. Water and sewer receipts collateralize the loan.

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

	OWDA Loan (Water Loan)	OWDA Loan (Sewer Loan)	OPWC Loan
Year ending December 31:			
2016	\$87,582	\$171,833	\$9,860
2017	44,263	174,728	9,860
2018	0	88,108	9,860
2019	0	0	9,860
2020	0	0	9,860
2021-2025	0	0	9,860
Total	\$131,845	\$434,669	\$59,160

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

7. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Village of Commercial Point employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

7. Plan Description – Ohio Public Employees Retirement System (OPERS)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

7. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

	State and Local	Public Safety	Law Enforcement
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	16.1 %	16.1 %
Post-employment Health Care Benefits	2.0	2.0	2.0
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %
* This rate is determined by OPERS' Board and has no maximum rate established by ORC.			
** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.			

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Village's contractually required contributions were \$30,399 and \$31,609 for the years ended December 31, 2015 and 2014 respectively.

8. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

No significant changes in coverage from the prior year. Claims have not exceeded coverage in any of the past three years.

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to the Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY**

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

8. Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$ 250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$ 250,000 casualty treaty and 10% of the first \$ 1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally, accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(\$9,112,030)	(\$8,942,504)
Member's Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Contingent Liabilities

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

10. Joint Ventures

The Village is part of a JEDD, formed February 1, 2014 that includes Scioto Township, Grove City, State of Ohio property and the Village. The Village has no voting authority. The Village receives a quarterly payment in the amount of 2% of the money collected from the JEDD.



Dave Yost • Auditor of State

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

Village of Commercial Point
Pickaway County
10 W. Scioto Street
Commercial Point, Ohio 43116

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Commercial Point, Pickaway County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 30, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2015-001 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 2015-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

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.



Dave Yost
Auditor of State
Columbus, Ohio

September 30, 2016

VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Financial Reporting - Material Weakness

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

The following adjustments were material to the financial statements:

- Adjustments to record the Mayor's Court activity in 2014 as non-operating receipts for \$14,141, nonoperating disbursements for \$16,007, and beginning balance for \$2,973 for Fiduciary funds.
- Adjustments to record the Mayor's Court activity in 2015 as non-operating receipts for \$5,847, nonoperating disbursements for \$5,631 and earnings on investments for \$3, and beginning balance for \$1,107, for Fiduciary funds.
- Adjustments to reclassify General Fund unassigned balance to assigned fund balance for \$1,018,795 in 2014 and \$1,187,480 in 2015.

The following adjustments were not material to the financial statements and were not posted to the accounting system or reclassified on the financial statements:

- Reclassification of \$13,067 from property taxes as intergovernmental revenue within the General Fund during 2015.
- Understated income tax receipts and general government expenses in the amount of \$16,107 and \$21,169 for 2014 and 2015, respectively, to record income tax receipts at gross and the corresponding expense for the General Fund.
- Reclassify 2015 and 2014 Restricted Fund Balances in the amounts of \$1,160 and \$1,100 to Committed for Special Revenue funds.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. In addition, the Village should review AOS Bulletin 2011-004 for guidance on GASB Statement No. 54 requirements. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials' Response: Officials declined to respond.

VILLAGE OF COMMERCIAL POINT
PICKAWAY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(CONTINUED)

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

FINDING NUMBER 2015-002

Segregation of Duties – Significant Deficiency/Non-Compliance

Ohio Admin. Code § 117-2-01(D)(4) states, in part, when designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

Furthermore, **Ohio Rev. Code § 733.40** states, all moneys collected shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury.

The Fiscal Officer, however, is the only person involved with the receipt and disbursement cycles for the Mayor's Court. No review of receipts or disbursements is performed by Council or the Mayor. No controls were in place to compensate for the lack of segregation of duties.

Failure to have adequate segregation of duties and failure to implement compensating controls could result financial statement errors, misappropriation of assets as well as an increased risk of fraud and ineffective oversight.

We recommend the Fiscal Officer, Mayor and Village Council take measures to ensure there is adequate segregation of duties or compensating controls, such as board or management oversight reviews over Mayor's Court transactions and all receipt cycles.

Officials' Response: Officials declined to respond.



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VILLAGE OF COMMERCIAL POINT

PICKAWAY 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 29, 2016