



**VILLAGE OF CALEDONIA
MARION COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF CALEDONIA
MARION COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Caledonia
Marion County
110 East Marion Street
Caledonia, Ohio 43314

To the Village Council:

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 12, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Caledonia
Marion County
110 East Marion Street
Caledonia, Ohio 43314

To the Village Council:

We have audited the accompanying financial statements of the Village of Caledonia, Marion County, Ohio, (the Village) as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007, or its changes in financial position or cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Caledonia, Marion County, Ohio, as of December 31, 2007, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

May 12, 2008

**VILLAGE OF CALEDONIA
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 52,544	\$ 4,265	\$ 3,531	\$ 60,340
Intergovernmental	37,254	31,964	477	69,695
Charges for Services	1,349	-	-	1,349
Fines, Licenses and Permits	3,660	-	-	3,660
Earnings on Investments	606	279	-	885
Miscellaneous	6,196	-	-	6,196
	<u>101,609</u>	<u>36,508</u>	<u>4,008</u>	<u>142,125</u>
Total Cash Receipts				
	<u>101,609</u>	<u>36,508</u>	<u>4,008</u>	<u>142,125</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	17,458	-	-	17,458
Leisure Time Activities	10,583	-	-	10,583
Community Environment	975	-	-	975
Transportation	9,985	-	-	9,985
General Government	43,254	43,454	-	86,708
Capital Outlay	-	-	4,000	4,000
	<u>82,255</u>	<u>43,454</u>	<u>4,000</u>	<u>129,709</u>
Total Cash Disbursements				
	<u>82,255</u>	<u>43,454</u>	<u>4,000</u>	<u>129,709</u>
Total Receipts Over/(Under) Disbursements	<u>19,354</u>	<u>(6,946)</u>	<u>8</u>	<u>12,416</u>
Fund Cash Balances, January 1	<u>93,078</u>	<u>45,964</u>	<u>9,155</u>	<u>148,197</u>
Fund Cash Balances, December 31	<u>\$ 112,432</u>	<u>\$ 39,018</u>	<u>\$ 9,163</u>	<u>\$ 160,613</u>

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 132,391
Operating Cash Disbursements:	
Personal Services	2,800
Employee Fringe Benefits	399
Contractual Services	65,716
Supplies and Materials	<u>2,970</u>
Total Operating Cash Disbursements	<u>71,885</u>
Operating Income	60,506
Non-Operating Cash Receipts:	
Intergovernmental	5,560
Special Assessments	42,946
Earnings on Investments	<u>13,000</u>
Total Non-Operating Cash Receipts	<u>61,506</u>
Non-Operating Cash Disbursements:	
Capital Outlay	6,622
Redemption of Principal	48,855
Interest and Other Fiscal Charges	<u>51,523</u>
Total Non-Operating Cash Disbursements	<u>107,000</u>
Excess of Receipts Over Disbursements	15,012
Fund Cash Balances, January 1	<u>494,977</u>
Fund Cash Balances, December 31	<u><u>\$ 509,989</u></u>

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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 Caledonia, Marion County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, sewer utilities, maintenance of Village roads and bridges, and park operations (leisure time activities). The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

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 Auditor of State prescribes or permits.

C. Cash 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Project Fund

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

Other Capital Projects Fund – This fund receives proceeds of a permanent improvement tax levy which are used for maintenance of the Village hall.

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:

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

Enterprise Debt Service Fund - This fund accumulates monies transferred from the Sewer Operating Fund to pay bond principal and interest amounts as they become due.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Cash and Investments

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2007, was as follows:

Deposits	\$456,279
STAR Ohio	214,323
Total Deposits and Investments	670,602

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2007, follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$106,946	\$101,609	(\$5,337)
Special Revenue	36,499	36,508	9
Capital Projects	4,417	4,008	(409)
Enterprise	311,166	193,897	(117,269)
Total	\$459,028	\$336,022	(\$123,006)

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$179,020	\$82,255	\$96,765
Special Revenue	71,500	43,454	28,046
Capital Projects	9,000	4,000	5,000
Enterprise	398,528	178,885	219,643
Total	\$658,048	\$308,594	\$349,454

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	289,051	4.04%
Ohio Public Work Commission Loan (Sewer)	\$85,000	0.00%
Ohio Public Work Commission Loan (Drains)	\$21,244	0.00%
Sanitary Sewer Mortgage Revenue Bonds	\$770,000	5.00%
Total	\$1,165,295	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$526,500 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$19,314, including interest, over 20 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) sewer loan relates to the sewer plant construction project. The loan is being repaid in semiannual installments of \$5,000, interest free, over 20 years. The Village's storm sewer project exceeded the OPWC grant amount and thus a loan amount of \$33,990 became effective in 2000. The OPWC loan relating to storm drain construction will be repaid in semiannual installments of \$850, interest free, over 20 years.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

5. Debt (Continued)

The Sanitary Sewer Mortgage Revenue Bonds relate to the sewer plant construction. The bonds were issued on behalf of the Village by the United States Department of Agriculture Rural Community Development Services as a loan reimbursement at the completion of the construction project. The bonds will be repaid in annual installments ranging from \$40,223 to \$50,900, including interest, over 40 years.

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

Year ending December 31:	OWDA Loan	OPWC Loan (Sewer)	OPWC Loan (Drains)	Sanitary Sewer Revenue Bonds
2008	\$38,628	\$10,000	\$1,700	\$50,500
2009	38,629	10,000	1,700	49,900
2010	38,628	10,000	1,700	50,300
2011	38,628	10,000	1,700	49,650
2012	38,628	10,000	1,700	50,000
2013-2017	154,514	35,000	8,500	250,700
2018-2022	0	0	4,250	250,100
2023-2027	0	0	0	250,300
2028-2032	0	0	0	250,550
2033-2037	0	0	0	250,600
Total	<u>\$347,655</u>	<u>\$85,000</u>	<u>\$21,250</u>	<u>\$1,502,600</u>

6. Retirement Systems

Village officials have an option to choose Social Security or the Ohio Public Employees Retirement System (OPERS). As of December, 31, 2007, certain Village officials have elected Social Security. The Village's liability is 6.2% of wages paid. Other Village employees and officials belong to OPERS. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' retirement benefits, including post retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007, OPERS members contributed 9.5 percent of their wages. The Village contributed an amount equal to 13.85 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

7. Risk Management

The Village belongs to 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 over 550 Ohio governments ("Members").

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007
(Continued)**

7. Risk Management (Continued)

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

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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. The former member's covered claims, which occurred 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 retained earnings at December 31 2006 and 2005 (the latest information available):

	2006	2005
Assets	\$9,620,148	\$8,219,430
Liabilities	(3,329,620)	(2,748,639)
Members' Equity	\$6,290,528	\$5,470,791

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



Mary Taylor, CPA

Auditor of State

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

Village of Caledonia
Marion County
110 East Marion Street
Caledonia, Ohio 43314

To the Village Council:

We have audited the financial statements of the Village of Caledonia, Marion County, Ohio, (the Village) as of and for the year ended December 31, 2007, and have issued our report thereon dated May 12, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the precluding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, the significant deficiency described above as finding number 2007-002 we believe is also a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-003.

We also noted an instance of noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 12, 2008.

We intend this report solely for the information and use of the finance committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 12, 2008

VILLAGE OF CALEDONIA
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007

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

FINDING NUMBER 2007-001

Noncompliance Citation - Certification of Expenditures

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk/Treasurer is attached thereto. The Clerk/Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

1. **"Then and Now" Certificate** – If the Clerk/Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Clerk/Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village 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 Clerk/Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Clerk/Treasurers 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 on particular line item appropriation.
3. **Super Blanket Certificate** – The Village 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.

Thirteen percent of the transactions tested were not certified by the Clerk/Treasurer at the time the commitment was incurred and was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

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

FINDING NUMBER 2007-001 (Continued)

Noncompliance Citation - Certification of Expenditures (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Auditor certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-002

Significant Deficiency / Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Clerk/Treasurer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustment was made to the December 31, 2007 financial statements:

1. To properly classify debt principal payments on the financial statements totaling \$36,155 in the Sewer Operating Fund, \$11,000 in the Enterprise Debt Service Fund, and \$1,700 in the Other Enterprise Funds from Interest and Fiscal Charges to Principal Retirement.

The audit adjustment identified above should be reviewed by the Clerk/Treasurer and the Village Council to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Village should develop procedures for the periodic review of the financial statement information to ensure it accurately reflects the Village's activity.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007
(Continued)**

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

FINDING NUMBER 2007-003

Material Non-Compliance - Contract Bidding Requirements

Ohio Revised Code Section 731.14 states in part “when any expenditure, other than the compensation of persons employed in the Village, exceeds \$25,000, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the Village. The bids shall be opened and shall be publicly read by the clerk of the Village or a person designated by the clerk at the time, date, and place specified in the advertisement to bidders or specifications. The time, date, and place of bid openings may be extended to a later date by the legislative authority of the Village, provided that written or oral notice of the change shall be given to all persons who have received or requested specifications no later than ninety-six hours prior to the original time and date fixed for the opening.”

In 2007, the Village entered into a contract totaling \$27,150 with Earthworm Construction for the paving of Village roads. There were no competitive bidding procedures performed relating to this contract.

We recommend Village Council review Ohio Revised Code requirements prior to awarding contracts for any project which will exceed the \$25,000 threshold, to ensure competitive bidding procedures are performed if required.

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

VILLAGE OF CALEDONIA
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Certification of Expenditures	No	Citation repeated as finding 2007-001.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CALEDONIA

MARION 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 5, 2008**