



Dave Yost • Auditor of State



VILLAGE OF CALDWELL  
NOBLE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Caldwell  
Noble County  
215 West Street  
Caldwell, Ohio 43724

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Caldwell, Noble County, Ohio (the Village), as of and for the year ended December 31, 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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, 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, 2012, or changes in financial position thereof for the year 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 Caldwell, Noble County, Ohio, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 December 9, 2013, 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

December 9, 2013

**VILLAGE OF CALDWELL  
NOBLE 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	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$221,395				\$221,395
Intergovernmental	211,281	\$97,544			308,825
Special Assessments	3				3
Charges for Services	22	5,500			5,522
Fines, Licenses and Permits	2,897				2,897
Earnings on Investments	6,190	238		\$191	6,619
Miscellaneous	11,640	433			12,073
<i>Total Cash Receipts</i>	<u>453,428</u>	<u>103,715</u>	<u>\$0</u>	<u>191</u>	<u>557,334</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	126,879	1,892			128,771
Public Health Services		3,734			3,734
Community Environment	770				770
Transportation	183,943	28,010			211,953
General Government	278,580				278,580
<i>Total Cash Disbursements</i>	<u>590,172</u>	<u>33,636</u>	<u>0</u>	<u>0</u>	<u>623,808</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(136,744)</u>	<u>70,079</u>	<u>0</u>	<u>191</u>	<u>(66,474)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers Out			(4,863)		(4,863)
Other Financing Sources	120,000				120,000
Other Financing Uses	(7,029)				(7,029)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>112,971</u>	<u>0</u>	<u>(4,863)</u>	<u>0</u>	<u>108,108</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,773)</u>	<u>70,079</u>	<u>(4,863)</u>	<u>191</u>	<u>41,634</u>
<i>Fund Cash Balances, January 1</i>	<u>1,586,329</u>	<u>205,015</u>	<u>4,863</u>	<u>107,158</u>	<u>1,903,365</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable				3,800	3,800
Restricted		275,094		103,549	378,643
Assigned	5,662				5,662
Unassigned (Deficit)	1,556,894				1,556,894
<i>Fund Cash Balances, December 31</i>	<u>\$1,562,556</u>	<u>\$275,094</u>	<u>\$0</u>	<u>\$107,349</u>	<u>\$1,944,999</u>

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

**VILLAGE OF CALDWELL  
NOBLE 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)
<b>Operating Cash Receipts</b>			
Charges for Services	\$2,426,349		\$2,426,349
<i>Total Operating Cash Receipts</i>	<u>2,426,349</u>	<u>\$0</u>	<u>2,426,349</u>
<b>Operating Cash Disbursements</b>			
Personal Services	494,868		494,868
Employee Fringe Benefits	150,015		150,015
Contractual Services	234,440		234,440
Supplies and Materials	466,090		466,090
Other	6,307		6,307
<i>Total Operating Cash Disbursements</i>	<u>1,351,720</u>	<u>0</u>	<u>1,351,720</u>
<i>Operating Income (Loss)</i>	<u>1,074,629</u>	<u>0</u>	<u>1,074,629</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	806,880		806,880
Sale of Notes	93,587		93,587
Miscellaneous Receipts	66,026		66,026
Capital Outlay	(989,472)		(989,472)
Principal Retirement	(421,076)		(421,076)
Interest and Other Fiscal Charges	(72,366)		(72,366)
Other Financing Sources		3,910	3,910
Other Financing Uses		(3,798)	(3,798)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(516,421)</u>	<u>112</u>	<u>(516,309)</u>
<i>Income (Loss) before Transfers and Advances</i>	558,208	112	558,320
Transfers In	4,863		4,863
<i>Net Change in Fund Cash Balances</i>	563,071	112	563,183
<i>Fund Cash Balances, January 1, Restated see Note 2</i>	<u>3,253,141</u>	<u>0</u>	<u>3,253,141</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,816,212</u></u>	<u><u>\$112</u></u>	<u><u>\$3,816,324</u></u>

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

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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 Caldwell, Noble County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations and police services. The Village contracts with the Caldwell Volunteer Fire Department to receive fire protection services. The Village also has a three-member Board of Public Affairs elected at large for four year terms. This Board oversees the Business Funds of Water and Sewer.

The Village participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 9 to the financial statements provides additional information for this 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 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, money market mutual fund and mortgage-backed securities at cost.

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

**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 other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**3. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Cemetery Perpetual Care Fund - This fund receives interest earned on the principal corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

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

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

Water Works Construction Fund - This fund receives loan proceeds from the Ohio Water Development Authority and the Ohio Public Works Commission to finance a water line extension. The loan is repaid through charges for services of the water and sewer service costs.

**5. Fiduciary Funds**

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

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**5. Fiduciary Funds (Continued)**

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 insurance for a Council member who chose to participate in the Village's insurance policy.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2012 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.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**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.

**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.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**2. Restatement of Fund Balance**

For the year ended December 31, 2011, an adjustment resulted in fund balance restatement.

<u>Governmental Funds:</u>	<u>Fund Balances at December 31, 2011</u>	<u>Restatement Amount</u>	<u>Fund Balances at January 1, 2012</u>
Enterprise	\$3,202,972	\$50,169	\$3,253,141
Total	<u>\$3,202,972</u>	<u>\$50,169</u>	<u>\$3,253,141</u>

The change in fund balance for the Water Construction Fund, Enterprise Fund type is the result of a prior period error.

**3. 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:

	<u>2012</u>
Demand deposits	\$2,697,321
Savings accounts	\$16,280
Certificates of deposit	1,520,000
Total deposits	<u>4,233,601</u>
Money Market Account	337,797
Mortgage-Backed Securities	1,189,925
Total investments	<u>1,527,722</u>
Total deposits and investments	<u>\$5,761,323</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institution's public entity deposit pool. Investments are insured by Securities Investor Protection Corporation for up to \$500,000.

At December 31, 2012, \$4,445,157 of deposits were not insured or collateralized, contrary to Ohio law.

**Investments:** Mortgage-backed securities are held in book-entry form by the investment firm in the Village's name. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

**4. Budgetary Activity**

Budgetary activity for the year ending December 31, 2012 follows:

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**4. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$329,700	\$573,428	\$243,728
Special Revenue	123,800	103,715	(20,085)
Capital Projects	53,307	0	(53,307)
Enterprise	3,357,176	3,397,705	40,529
Permanent	2,050	191	(1,859)
Total	<u>\$3,866,033</u>	<u>\$4,075,039</u>	<u>\$209,006</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$739,546	\$597,201	\$142,345
Special Revenue	156,550	33,636	122,914
Capital Projects	58,171	4,863	53,308
Enterprise	3,806,251	2,834,634	971,617
Permanent	20,350	0	20,350
Total	<u>\$4,780,868</u>	<u>\$3,470,334</u>	<u>\$1,310,534</u>

Contrary to Ohio Revised Code Section 5705.41(D), some invoices were dated prior to certification.

**5. 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.

**6. Local Income Tax**

The Village passed an income tax in 2012 and started collection of the income tax in January 2012. In November 2012, the income tax was repealed by the voters and all money collected was to be remitted back to the taxpayers.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**7. Debt**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Berkadia Mortgage Revenue Bond	\$682,600	5.00%
Ohio Public Works - Sewer Replacement	72,844	2.00%
Ohio Public Works - GAC Water Treatment Project	240,000	4.12%
Ohio Public Works - Sunset Drive Sewer Project	10,125	0.00%
Ohio Public Works - WWTP Headworks Project	101,210	0.00%
Ohio Water Development Authority - Sewer Prison	633,696	2.20%
Ohio Water Development Authority - Sewer Lines	151,553	2.20%
Ohio Water Development Authority - Water Treatment	281,295	1.50%
Ohio Water Development Authority - Water Replacement	96,614	2.00%
Ohio Water Development Authority - Sewer Replacement	71,237	2.00%
Ohio Water Development Authority - Combine Sewer Separation	421,242	0.00%
Ohio Water Development Authority - Combine Sewer Separation	237,650	0.00%
Ohio Water Development Authority - Combine Sewer Separation	218,400	0.00%
Total	<u>\$3,218,466</u>	

The Berkadia mortgage revenue bonds were for improvements to utilities and further improvements and extensions for water services. Revenue of the water fund has been pledged to repay these debts.

The Ohio Water Development Authority (OWDA) loans for Sewer Prison and Sewer Lines were used to expand the sewer system facility and provide lines for sewer services to the prison. The OWDA loan for Water Treatment was to make improvements to the Village's water treatment plant. The OWDA loans for Water and Sewer Replacement are for the movement of existing lines. The OWDA loans for the Sewer Separation were for upgrades to the sewer lines. The OWDA loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans were used for a sanitary sewer replacement project, a sanitary sewer improvement on Sunset Drive, the Wastewater Treatment Plant Headworks project and for the GAC Water Treatment Project. All loans are collateralized by water and sewer receipts. The Village has agreed to set rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**7. Debt (Continued)**

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

Year ending December 31:	Water Bond	OWDA Loans	OPWC Loans
2013	\$100,130	\$299,166	\$29,864
2014	99,830	299,166	29,864
2015	100,380	299,166	29,864
2016	99,730	299,166	29,864
2017	98,930	196,090	29,864
2018-2022	358,590	268,505	149,322
2023-2027		246,665	127,840
2028-2032		169,205	22,500
2033-2037		67,674	
2038		6,767	
Total	<u>\$857,590</u>	<u>\$2,151,570</u>	<u>\$448,982</u>

**8. Retirement Systems**

The Village's law enforcement 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 2012, OP&F participants contributed 10% of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5% of law enforcement officers' wages. For 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**9. Risk Management**

**Commercial Insurance**

The Village contracts with Allstate for national flood insurance as required by the Federal Emergency Management Agency (FEMA). The insurance coverage obtained is in accordance with FEMA regulations needed for any reimbursement claims that may occur in the future.

The Village belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Villages. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**9. Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA'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	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments 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 \$2,000.

Based on discussions with OTARMA, the expected rates OTARMA 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 OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$2,724	\$2,602

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA 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 the pool. 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.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**10. Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**11. Subsequent Events**

The citizens of the Village of Caldwell voted in November 2012 to repeal the income tax that was imposed in 2012 and return all monies back to the payors. All income tax money was remitted back to taxpayers by April 2013.



# 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 Caldwell  
Noble County  
215 West Street  
Caldwell, Ohio 43724

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 Caldwell, Noble County, Ohio (the Village), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 9, 2013, wherein we noted the Village followed financial reporting provisions in Ohio Rev. 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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.

***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 2012-001.

***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

December 9, 2013

VILLAGE OF CALDWELL  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012

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

FINDING NUMBER 2012-001

**Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order 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 that the amount required to meet such a commitment 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 standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from 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 that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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 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 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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 30 percent of the expenditures tested in 2012, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF CALDWELL  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012  
(Continued)

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

FINDING NUMBER 2012-001 (Continued)

**Noncompliance – Ohio Rev. Code Section 5705.41(D)(1) (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 the Clerk-Treasurer certify that the funds are or will be available prior to an obligation being incurred 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 Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

**Officials' Response:** The Village chose not to respond to the finding noted above.



# Dave Yost • Auditor of State

**VILLAGE OF CALDWELL**

**NOBLE 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  
DECEMBER 24, 2013**