



Dave Yost • Auditor of State



VILLAGE OF COLDWATER  
MERCER COUNTY

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# Dave Yost • Auditor of State

## ACCOUNTANT'S REPORT

Village of Coldwater  
Mercer County  
610 W. Sycamore Street  
Coldwater, Ohio 45828

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Coldwater, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013 following Ohio Admin. Code Section 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 16, 2015

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**VILLAGE OF COLDWATER  
MERCER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Taxes and Other Local Taxes	\$175,940				\$175,940
Municipal Income Tax	1,553,229				1,553,229
Intergovernmental Receipts	95,082	\$641,519			736,601
Special Assessments		12,730			12,730
Charges for Services	444,152	114,862			559,014
Licenses, Permits and Fees	18,288				18,288
Fines and Forfeitures		4,222			4,222
Earnings on Investments	615	61		\$757	1,433
Miscellaneous	45,841	32,633		1,800	80,274
Total Cash Receipts	<u>2,333,147</u>	<u>806,027</u>		<u>2,557</u>	<u>3,141,731</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons and Property	741,113	2,613			743,726
Public Health Services	25,156				25,156
Transportation		620,205			620,205
Conservation/Recreation		184,325			184,325
General Government	832,615	534		16,534	849,683
Capital Outlay	28,322	664,917		720,003	1,413,242
<b>Debt Service:</b>					
Principal Payments		7,450	\$125,000		132,450
Interest Payments			66,419		66,419
Total Cash Disbursements	<u>1,627,206</u>	<u>1,480,044</u>	<u>191,419</u>	<u>736,537</u>	<u>4,035,206</u>
Total Receipts Over (Under) Disbursements	<u>705,941</u>	<u>(\$674,017)</u>	<u>(\$191,419)</u>	<u>(\$733,980)</u>	<u>(\$893,475)</u>
<b>Other Financing Receipts (Disbursements):</b>					
<b>Proceeds from Sale of Public Debt:</b>					
Sale of Bonds				529,000	529,000
Sale of Fixed Assets	4,648				4,648
Transfers-In		646,935	191,114		838,049
Transfers-Out	(679,409)				(679,409)
Total Other Financing Receipts (Disbursements)	<u>(674,761)</u>	<u>646,935</u>	<u>191,114</u>	<u>529,000</u>	<u>692,288</u>
Net Change in Fund Cash Balances	31,180	(27,082)	(305)	(204,980)	(201,187)
Fund Cash Balances, January 1	<u>140,920</u>	<u>86,594</u>	<u>305</u>	<u>445,031</u>	<u>672,850</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted		59,512		240,051	299,563
Committed	113,244				113,244
Assigned	2,643				2,643
Unassigned (Deficit)	56,211				56,211
Fund Cash Balances, December 31	<u>\$172,098</u>	<u>\$59,512</u>	<u>\$0</u>	<u>\$240,051</u>	<u>\$471,661</u>

See accompanying notes to the financial statements.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,166,714		\$1,166,714
Miscellaneous	9,008		9,008
Total Operating Cash Receipts	<u>1,175,722</u>		<u>1,175,722</u>
<b>Operating Cash Disbursements:</b>			
Personnel Services	240,203		240,203
Employee Fringe Benefits	131,604		131,604
Contractual Services	201,454		201,454
Materials and Supplies	161,959		161,959
Other	305		305
Total Operating Cash Disbursements	<u>735,525</u>		<u>735,525</u>
Operating Income	<u>440,197</u>		<u>440,197</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on Investments	457		457
Other Non-Operating Receipts		\$25,297	25,297
Total Non-Operating Cash Receipts	<u>457</u>	<u>25,297</u>	<u>25,754</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Principal Payments	56,035		56,035
Capital Outlay	138,282		138,282
Other Non-Operating Disbursements		25,297	25,297
Total Non-Operating Cash Disbursements	<u>194,317</u>	<u>25,297</u>	<u>219,614</u>
Excess of Cash Receipts Over (Under) Cash Disbursements before Interfund Transfers	246,337		246,337
Transfers-Out	<u>(158,640)</u>		<u>(158,640)</u>
Net Cash Receipts Over (Under) Cash Disbursements	87,697		87,697
Fund Cash Balances, January 1	<u>(5,730)</u>		<u>(5,730)</u>
Fund Cash Balances, December 31	<u>\$81,967</u>	<u>\$0</u>	<u>\$81,967</u>

*See accompanying notes to the financial statements.*

**VILLAGE OF COLDWATER  
MERCER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property Taxes and Other Local Taxes	\$133,749				\$133,749
Municipal Income Tax	1,513,739				1,513,739
Intergovernmental Receipts	201,089	\$454,278			655,367
Special Assessments		11,085			11,085
Payments in Lieu of Taxes					-
Charges for Services	324,464	185,516			509,980
Licenses, Permits and Fees	13,814				13,814
Fines and Forfeitures		4,589			4,589
Earnings on Investments	650	2		\$651	1,303
Miscellaneous	53,652	44,499			98,151
<b>Total Cash Receipts</b>	<u>2,241,157</u>	<u>699,969</u>		<u>651</u>	<u>2,941,777</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	710,474	10,380			720,854
Public Works	15,358				15,358
Public Health Services	25,224				25,224
Transportation		614,139			614,139
Conservation/Recreation		202,570			202,570
General Government	672,866	158		4,442	677,466
Capital Outlay	11,885	387,970		29,780	429,635
<b>Debt Service:</b>					
Principal Payments		18,900	\$215,000		233,900
Interest Payments			74,569		74,569
<b>Total Cash Disbursements</b>	<u>1,435,807</u>	<u>1,234,117</u>	<u>289,569</u>	<u>34,222</u>	<u>2,993,715</u>
<b>Total Receipts Over (Under) Disbursements</b>	<u>805,350</u>	<u>(534,148)</u>	<u>(289,569)</u>	<u>(33,571)</u>	<u>(51,938)</u>
<b>Other Financing Receipts (Disbursements):</b>					
Transfers-In		618,969	287,884	103,000	1,009,853
Transfers-Out	(946,677)				(946,677)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(946,677)</u>	<u>618,969</u>	<u>287,884</u>	<u>103,000</u>	<u>63,176</u>
<b>Net Change in Fund Balance</b>	<u>(141,327)</u>	<u>84,821</u>	<u>(1,685)</u>	<u>69,429</u>	<u>11,238</u>
<b>Fund Cash Balances, January 1</b>	<u>282,247</u>	<u>1,773</u>	<u>1,990</u>	<u>375,602</u>	<u>663,778</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted		86,594	305	445,031	531,930
Committed	12,160				12,160
Assigned	128,760				128,760
<b>Fund Cash Balances, December 31</b>	<u>\$140,920</u>	<u>\$86,594</u>	<u>\$305</u>	<u>\$445,031</u>	<u>\$672,850</u>

See accompanying notes to the financial statements.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,092,709		\$1,092,709
Miscellaneous	11,840		11,840
Total Operating Cash Receipts	<u>1,104,549</u>		<u>1,104,549</u>
<b>Operating Cash Disbursements:</b>			
Personnel Services	272,810		272,810
Employee Fringe Benefits	91,647		91,647
Contractual Services	220,288		220,288
Materials and Supplies	161,884		161,884
Other	985		985
Total Operating Cash Disbursements	<u>747,614</u>		<u>747,614</u>
Operating Income	<u>356,935</u>		<u>356,935</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	13,233		13,233
Earnings on Investments	2,049		2,049
Sale of Fixed Assets	1,082		1,082
Loan Proceeds	1,403,570		1,403,570
Other Non-Operating Receipts		\$20,575	20,575
Total Non-Operating Cash Receipts	<u>1,419,934</u>	<u>20,575</u>	<u>1,440,509</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Principal Payments	54,964		54,964
Capital Outlay	1,515,171		1,515,171
Other Non-Operating Disbursements		20,740	20,740
Total Non-Operating Cash Disbursements	<u>1,570,135</u>	<u>20,740</u>	<u>1,590,875</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements before Interfund Transfers	206,734	(165)	206,569
Transfers-In	147,000		147,000
Transfers-Out	<u>(210,176)</u>		<u>(210,176)</u>
Net Cash Receipts Over (Under) Cash Disbursements	143,558	(165)	143,393
Fund Cash Balances, January 1	<u>(149,288)</u>	165	<u>(149,123)</u>
Fund Cash Balances, December 31	<u><u>(\$5,730)</u></u>	<u><u>\$0</u></u>	<u><u>(\$5,730)</u></u>

See accompanying notes to the financial statements.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 Coldwater, Mercer County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in a public entity risk. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool: Ohio Plan Risk Management, Inc. (OPRM)

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**Park Operation Fund** – This fund is used to account for the costs associated with the municipal park system within the Village.

**3. Debt Service Funds**

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

**General Obligation Bond Retirement Fund** – This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest and related costs.

**4. Capital Project Funds**

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

**Industrial Development Fund** – This fund is for the purchase, operation and further development of the Village Industrial Park.

**Fire Capital Fund** – This fund was established for the purchase of fire equipment for the volunteer fire department.

**5. Enterprise Funds**

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

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

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

**Storm Sewer Improvement Fund** – This fund receives charges for services from residents to cover the costs of updating the storm sewer.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. 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.

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 collection and distribution of Mayor's Court fines, fees, and bonds.

**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 for the General fund and at the fund level for all remaining funds 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 at year end are cancelled, and re-appropriated in the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Non-spendable**

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

VILLAGE OF COLDWATER  
MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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:

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

	<u>2014</u>	<u>2013</u>
Demand deposits	\$298,773	\$95,884
Certificates of deposit		100,000
Other time deposits (savings and NOW accounts)	3,219	3,217
Total deposits	<u>301,992</u>	<u>199,101</u>
STAR Ohio	148,978	463,137
Mutual Funds	102,658	1,652
Special Assessment Bond	0	3,230
Total investments	<u>251,636</u>	<u>468,019</u>
Total deposits and investments	<u>\$553,628</u>	<u>\$667,120</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.

The Village invests in mutual funds which have a rating of Aaa by Moodys.

Special assessment bonds represent a special assessment bond issue that was purchased and held by the Village.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2014 follows:

<b>2014 Budgeted vs. Actual Receipts</b>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,236,372	\$2,337,795	\$101,423
Special Revenue	1,305,424	1,452,962	147,538
Debt Service	191,114	191,114	
Capital Projects	301,522	531,557	230,035
Enterprise	1,815,742	1,176,179	(639,563)
Fiduciary	25,295	25,297	2
Total	<u>\$5,875,469</u>	<u>\$5,714,904</u>	<u>(\$160,565)</u>

<b>2014 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,512,717	\$2,306,617	\$206,100
Special Revenue	1,316,823	1,480,044	(163,221)
Debt Service	191,419	191,419	
Capital Projects	746,552	736,537	10,015
Enterprise	1,654,722	1,088,482	566,240
Fiduciary	25,295	25,297	(2)
Total	<u>\$6,447,528</u>	<u>\$5,828,396</u>	<u>\$619,132</u>

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2013 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$2,214,081	\$2,241,157	\$27,076
Special Revenue	884,608	1,318,938	434,330
Debt Service	808,000	287,884	(520,116)
Capital Projects	300	103,651	103,351
Enterprise	1,921,670	2,671,483	749,813
Fiduciary	33,400	20,575	(12,825)
Total	<u>\$5,862,059</u>	<u>\$6,643,688</u>	<u>\$781,629</u>

<b>2013 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$2,573,310	\$2,382,484	\$190,826
Special Revenue	820,610	1,234,117	(413,507)
Debt Service	294,070	289,569	4,501
Capital Projects	41,250	34,222	7,028
Enterprise	1,384,355	2,527,925	(1,143,570)
Fiduciary	20,600	20,740	(140)
Total	<u>\$5,134,195</u>	<u>\$6,489,057</u>	<u>(\$1,354,862)</u>

Contrary to Ohio law, at December 31, 2013, the Water Improvement fund had a cash deficit balance of \$96,174.58.

**4. PROPERTY TAX**

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

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

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

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Proceeds of the tax are credited to the General Fund.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Obligation Bond 2005	\$1,410,000	3.75-4.25%
Ohio Public Works-Mill Street	230,950	0%
Ohio Public Works-Hardin Creek	25,000	0%
Ohio Public Works-Northwest Sanitary Sewer	69,597	0%
Ohio Public Works-Water Treatment Plant	275,000	0%
Peoples Bank Note-Farm Ground	529,000	3%
Ohio Public Works - Sanitary Sewer	483,333	0%
Ohio Water Development Authority Loan - Water/Sewer Expansion	1,181,334	1%
Total	<u>\$4,204,214</u>	

During 2005 the Village issued \$2,400,000 Various Purpose General Obligation Bond Series 2005. Proceeds from the bonds were used to retire the \$1,850,000 Water System Improvement bond note, a municipal center general obligation note and a \$55,000 Bulldozer General Obligation Note with the balance of proceeds used for various purposes. Principal retirements during 2014 and 2013 were \$125,000 and \$125,000, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$154,660 for the Northwest Sanitary Sewer trunk project. The loan requires semi-annual payments of \$3,867 through 2023. Principal retirements during 2014 and 2013 amounted to \$3,867 and \$7,733, respectively.

During 2005 the Village received an interest free loan from the Ohio Public Works Commission totaling \$500,000 for the replacement of the water treatment plant. The loan requires semi-annual payments of \$12,500, through 2025. Principal retirements during 2014 and 2013 amounted to \$12,500 and \$25,000, respectively.

During 2009 the Village received an interest free loan from the Ohio Public Works Commission totaling \$298,000 for the Mill Street Project. The loan requires semi-annual payments of \$7,450 through 2030. Principal retirements during 2014 and 2013 were \$7,450 and \$14,900, respectively.

During 1997, the Village received an interest free loan from the Ohio Public Works Commission totaling \$250,000 for the Hardin Creek Water Line improvement project. The loan requires semi-annual payments of \$6,250 through 2016. Principal retirements during 2014 and 2013 amounted to \$6,250 and \$12,500, respectively.

During 2014 the Village received a one year loan for \$529,000 from the Peoples Bank Company. No payments were made on this loan in 2014.

During 2013, the Village received an interest free loan from the Ohio Public Works commission totaling \$500,000 for the sanitary sewer repair project. The loan requires semi-annual payments of \$8,333 through 2034. Principal retirement during 2014 and 2013 was \$8,333.

During 2013 the Village received a 1% interest free loan from the Ohio Water Development Authority totaling \$1,208,687. The loan was not finalized at the end of 2014 and no amortization schedule exists yet for this loan. Principal payment during 2014 was \$27,374.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,411,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$52,974, including interest, over 20 years. The scheduled payment amount below assumes that \$1,411,000 will be borrowed. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village's taxing authority collateralized the bonds.

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

<b>Year ending December 31:</b>	<b>General Obligation Bonds</b>	<b>Land Loan</b>	<b>OPWC Ohio</b>
2015	\$191,419	\$543,548	\$76,800
2016	160,894		76,800
2017	161,563		64,300
2018	162,025		64,300
2019	162,281		64,300
2020-2024	802,769		313,765
2025-2034	161,975		273,616
2035-2044			149,999
Total	<u>\$1,802,926</u>	<u>\$543,548</u>	<u>\$1,083,880</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10.75% from January 1 to June 30 and 11.5% from July 1 to December 31 of their wages. For 2013 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**8. RISK MANAGEMENT**

The Village 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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.

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, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 783 and 774 members as of December 31, 2014 and 2013 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. 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 equity at December 31, 2014 and 2013 (the latest information available).

	<u>2014</u>	<u>2013</u>
Assets	\$14,830,185	\$13,774,304
Liabilities	(8,942,504)	(7,968,395)
Members' Equity	<u>\$5,887,681</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. SUBSEQUENT EVENTS**

On March 9, 2015, the Village passed Ordinance 1629, an ordinance levying a tax per licensed vehicle in the Village of Coldwater as per Ohio Revised Code 4504.06; and Ordinance 1630, an ordinance levying a tax per licensed vehicle in the Village of Coldwater as per Ohio Revised Code 4504.172.

On June 9, 2015, the Village passed Ordinance 1633, an ordinance providing for the issuance and sale of bonds in the maximum principal amount of \$1,395,000, for the purpose of refunding bonds previously issued by the Village for the purpose of paying the costs of improving the municipal waterworks system. Additionally, on September 14, 2015, the Village approved Ordinance 1637 providing for the issuance and sale of a land acquisition note in anticipation of the issuance of bonds for \$529,000. Finally, the Village approved a bid for various street work for \$158,289 and the engineer's estimate was \$175,000. The Village will receive a \$100,000 grant for these projects.

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# Dave Yost • Auditor of State

## ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Coldwater  
Mercer County  
610 W. Sycamore Street  
Coldwater, Ohio 45828

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Coldwater, Mercer County, Ohio (the Village), as of and for years ended December 31, 2014 and 2013 following Ohio Administrative Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

### Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2014-001 through 2014-003

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Village. Non-compliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance that are reported in the accompanying schedule of findings as items 2014-001 through 2014-005.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate report dated October 16, 2015.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Village of Coldwater  
Mercer County  
Accountant's Report on Internal Control Over  
Financial Reporting and On Compliance And Other Matters  
Page 2

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 16, 2015

VILLAGE OF COLDWATER  
MERCER COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDING DECEMBER 31, 2014 AND 2013

FINDING NUMBER 2014-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Negative Fund Balances

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2013, the Water Improvement Fund had a negative balance of (\$96,174).

The Village also had negative fund balances in various funds through out each year as follows:

	<u>April 2013</u>	<u>April 2014</u>
Street Fund	\$108,609	\$120,407
Police Block Grant Fund	9,125	
Water Fund	51,626	
Water Improvement Fund	100,182	99,250
Storm Water Improvement Fund	14,754	

  

	<u>October 2013</u>	<u>October 2014</u>
Street Fund	\$151,299	\$311,409
Permissive Tax Fund		5,380
Police Block Grant Fund	10,094	2,187
Water Fund	51,875	
Water Improvement Fund	118,655	
Storm Water Improvement Fund	8,938	

No negative fund balances were found as of December 31, 2014.

Available fund cash balances should be reviewed regularly to evaluate the reasoning behind a negative cash balance and determine how to correct the situation when necessary. This may be done by reducing the applicable fund expenditures, or by the use of transfers or advances, as allowable. In the case of the utility funds, the Village should establish utility rates that are sufficient to cover the operation expenses of the funds.

Official's Response:

Please note there are no negative balances as of 12/31/14. This was not monitored by the previous finance director, but has been monitored very carefully since.

FINDING NUMBER 2014-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Accuracy of Financial Reporting

Ohio Rev. Code Section 733.28 requires the fiscal officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended.

**FINDING NUMBER 2014-002**  
**(Continued)**

Governmental Accounting Standards Board (GASB) Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 changes the definitions of governmental funds; therefore. Some funds that are maintained for day-to-day accounting purposes may no longer meet the fund type criteria for reporting in the year-end external financial statements. These funds should be presented as part of the general fund or a qualifying special revenue fund in the year-end financial statements.

The following errors were noted in the Village's records and on the annual reports:

1. The payments received from Butler Township for fire protection were incorrectly recorded as property taxes in 2014 and 2013 instead of charges for services in the amounts of \$184,134 and \$181,637, respectively.
2. GASB 54 for 2014 and 2013 was not properly implemented. For 2014, \$115,887 of the General fund unassigned balance had to be reclassified to assigned and committed classifications, and the Capital Projects fund balance of \$69,008 was incorrectly reported as unassigned instead of restricted. For 2013, \$140,921 of the General fund unassigned balance had to be reclassified to assigned and committed classifications. This eliminated the entire unassigned fund balance for the General fund in 2013. Also, in 2013, the Capital project fund balance of \$96,277 was incorrectly reported as unassigned instead of restricted.
3. Several reclassifications occurred for funds that rolled into the General fund for proper reporting purposes per GASB 54. For 2013, \$154,828 was eliminated from revenue and expenditures for activity between funds that were reported as part of the General Fund. For 2014, \$177,186 was eliminated from revenue and expenditures for activity between funds that were reported as General Fund.
4. The Village did not record activity that was through the Ohio Public Works Commission that was paid directly to contractors on behalf of the Village. In 2013, the Street fund received a \$240,000 grant that was not recorded and the Sanitary Sewer Improvement Fund did not properly record \$1,390,750 in loan proceeds for capital outlay for project expenditures.
5. The Village did not properly record debt payment activity. Interest payments of \$66,419 in 2014 and \$74,569 in 2013, respectively, were incorrectly reported as principal payments.
6. During 2014, \$529,000 was incorrectly reported as Other Financing Sources and should have been reported as the sale of notes for the purchase of land.
7. During 2014 and 2013, there were significant adjustments for transfer activity that was not properly approved or allowable per Ohio Revised Code.

Other less significant adjustments were also noted. The adjustments are reflected on the audited financial statements and have been posted to the Village records.

The 2014 and 2013 annual reports required numerous audit adjustments and reclassification for proper presentation. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts.

**FINDING NUMBER 2014-002  
(Continued)**

The Fiscal Officer should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts. Additionally, the Fiscal Officer should review Auditor of State Bulletin 2001-004 when completing the annual report to properly implement GASB Statement No. 54. Finally, independent detailed reviews should be performed over the Village's accounting records as a means of providing for their accuracy. Failure to properly report information could result in incorrect classification of funds and inaccurate financial statements.

**Official's Response:**

All of these transactions were done by the previous finance director. I will make every attempt to make sure all receipts and expenditures are recorded properly going forward.

**FINDING NUMBER 2014-003**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Fund Transfers**

**Ohio Rev Code Section 5705.15** states that in addition to transfers authorized by Section 5705.14, the taxing authority of any political subdivision may, in the manner provided for in this section and in Section 5705.16, transfer from one fund to another any public funds under its supervision by passing a resolution from a majority of the board and obtaining the approval of the Tax Commissioner and the Court of Common Pleas.

The Village minutes approved numerous inter-fund reimbursements which should not have been classified as transfers, and other transfers were not approved by Council. The Village made numerous transfers in 2013 and 2014 between funds without the required approval of the Tax Commissioner and Court of Common Pleas. After making adjustments to transfers on the financial statements for funds that rolled together, the following were the remaining transfers that needed the approval of the Tax Commissioner and Court of Common Pleas:

**2014**

Sewer Improvement fund to the Water Improvement Fund for \$80,000  
Sewer Fund to the Water Fund for \$89,110

**2013**

State Highway Fund to the Street Maintenance and Repair Fund for \$10,000  
Permissive Tax Fund to the Street Maintenance and Repair Fund for \$11,000  
Coldwater Parks Operation Fund to the Tree Commission Fund for \$2,500.  
Sewer Improvement Fund to the Storm Sewer Improvement Fund for \$2,000

Adjustments were made to the financial statements and accounting records of the Village to eliminate these transfers and record the money back into the fund that originally made the transfer out.

Procedures should be implemented to provide that the transfers between funds are done after receiving the proper approvals from Council, the Tax Commissioner and Court of Common Pleas as needed.

**Official's Response:**

Beginning in 2015, we are only making transfers from the General fund and all transfers will be approved by Council.

**FINDING NUMBER 2014-004**

**NONCOMPLIANCE**

**Expenditures Exceeding Appropriations**

**Ohio Rev. Code Section § 5705.41(B)** requires that no subdivision or taxing unit is expend money unless it has been appropriated.

Special revenue funds had expenditures exceeding appropriations by \$163,221 and \$413,507, respectively, for 2014 and 2013. The Enterprise funds had expenditures exceeding appropriations by \$1,143,510 for 2013.

Allowing expenditures to exceed appropriations could result in deficit spending that leads to negative fund balances and unavailable resources to pay for obligations.

Procedures should be implemented to provide that the Village amends its appropriation measure when actual expenditures will exceed appropriations or reducing the expenditures to remain within budgeted constraints.

**Official's Response:**

I will monitor this closely and amend appropriations when necessary.

**FINDING NUMBER 2014-005**

**NONCOMPLIANCE**

**Appropriations Exceeding Actual Resources**

**Ohio Rev. Code Section 5705.36** allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The Village did not obtain an amended certificate of estimated resources for the following funds that had actual resources less than appropriations as a result of actual revenues being less than budgeted.

<u>Year</u>	<u>Fund Name</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2014	General Fund	\$2,478,715	\$2,512,717	(\$34,002)
	Enterprise Funds	\$1,170,449	\$1,654,722	(\$484,273)
2013	General Fund	\$2,525,570	\$2,573,310	(\$47,740)
	Debt Service Funds	\$289,874	\$294,070	(\$4,196)

Procedures should be implemented to provide that the Village monitors its actual resources versus the budgeted amounts and amend its certificate of estimated resources when actual revenues will result in actual resources being less than appropriations to help prevent deficit spending.

**Official's Response:**

I will monitor this closely and amend resources when necessary.

**VILLAGE OF COLDWATER  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Filing of Special Assessments	Yes	
2012-002	Fund Transfers	No	Repeated as finding 2014-003
2012-003	Cistern Water Treatment Charges	Yes	
2012-004	Financial Reporting	No	Repeated as finding 2014-002
2012-005	Negative Balances	No	Repeated as finding 2014-001
2012-006	Bank Reconciliations and Council Monitoring	Yes	
2012-007	Appropriations Exceeding Actual Resources	No	Repeated as finding 2014-005
2012-008	Expenditures Exceeding Appropriations	No	Repeated as finding 2014-004

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**VILLAGE OF COLDWATER**

**MERCER 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 1, 2015**