



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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Caldwell, Noble County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Caldwell, Noble County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

October 17, 2016

**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, 2015**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$41,405	\$0	\$0	\$41,405
Intergovernmental	22,969	87,004	0	109,973
Charges for Services	19	7,800	0	7,819
Fines, Licenses and Permits	5	0	0	5
Earnings on Investments	124,724	166	149	125,039
Miscellaneous	356,443	5,513	0	361,956
<i>Total Cash Receipts</i>	<u>545,565</u>	<u>100,483</u>	<u>149</u>	<u>646,197</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	40,431	1,614	0	42,045
Public Health Services	0	2,190	9,997	12,187
Community Environment	4,874	0	0	4,874
Transportation	189,477	85,704	0	275,181
General Government	80,733	0	0	80,733
Capital Outlay	0	7,700	0	7,700
<i>Total Cash Disbursements</i>	<u>315,515</u>	<u>97,208</u>	<u>9,997</u>	<u>422,720</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>230,050</u>	<u>3,275</u>	<u>(9,848)</u>	<u>223,477</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Uses	(5,600)	0	0	(5,600)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,600)</u>	<u>0</u>	<u>0</u>	<u>(5,600)</u>
<i>Net Change in Fund Cash Balances</i>	224,450	3,275	(9,848)	217,877
<i>Fund Cash Balances, January 1</i>	<u>2,049,139</u>	<u>375,845</u>	<u>107,611</u>	<u>2,532,595</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	4,204	4,204
Restricted	0	379,120	93,559	472,679
Unassigned (Deficit)	2,273,589	0	0	2,273,589
<i>Fund Cash Balances, December 31</i>	<u>\$2,273,589</u>	<u>\$379,120</u>	<u>\$97,763</u>	<u>\$2,750,472</u>

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

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type <u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$2,840,688</u>
<i>Total Operating Cash Receipts</i>	<u>2,840,688</u>
<b>Operating Cash Disbursements</b>	
Personal Services	550,710
Employee Fringe Benefits	183,431
Contractual Services	274,081
Supplies and Materials	355,630
Other	<u>5,667</u>
<i>Total Operating Cash Disbursements</i>	<u>1,369,519</u>
<i>Operating Income (Loss)</i>	<u>1,471,169</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	696,216
Sale of Notes	1,310,580
Miscellaneous Receipts	8,746
Capital Outlay	(2,480,303)
Principal Retirement	(395,527)
OWDA Principal Forgiveness	(110,488)
Interest and Other Fiscal Charges	(43,226)
Other Financing Sources	<u>145</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,013,857)</u>
<i>Net Change in Fund Cash Balance</i>	457,312
<i>Fund Cash Balance, January 1</i>	<u>5,072,051</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$5,529,363</u></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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$42,990	\$0	\$0	\$42,990
Intergovernmental	27,126	85,830	0	112,956
Charges for Services	68	11,125	0	11,193
Fines, Licenses and Permits	526	0	0	526
Earnings on Investments	101,039	155	128	101,322
Miscellaneous	167,923	0	0	167,923
<i>Total Cash Receipts</i>	<u>339,672</u>	<u>97,110</u>	<u>128</u>	<u>436,910</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	51,807	1,610	0	53,417
Public Health Services	0	2,723	0	2,723
Leisure Time Activities	136	0	0	136
Community Environment	3,656	0	0	3,656
Transportation	159,799	59,765	0	219,564
General Government	91,064	0	0	91,064
Capital Outlay	0	1,800	0	1,800
<i>Total Cash Disbursements</i>	<u>306,462</u>	<u>65,898</u>	<u>0</u>	<u>372,360</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,210</u>	<u>31,212</u>	<u>128</u>	<u>64,550</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Uses	(2,842)	0	0	(2,842)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,842)</u>	<u>0</u>	<u>0</u>	<u>(2,842)</u>
<i>Net Change in Fund Cash Balances</i>	30,368	31,212	128	61,708
<i>Fund Cash Balances, January 1</i>	<u>2,018,771</u>	<u>344,633</u>	<u>107,483</u>	<u>2,470,887</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	4,202	4,202
Restricted	0	375,845	103,409	479,254
Unassigned (Deficit)	2,049,139	0	0	2,049,139
<i>Fund Cash Balances, December 31</i>	<u>\$2,049,139</u>	<u>\$375,845</u>	<u>\$107,611</u>	<u>\$2,532,595</u>

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

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type <u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$2,850,103</u>
<i>Total Operating Cash Receipts</i>	<u>2,850,103</u>
<b>Operating Cash Disbursements</b>	
Personal Services	519,647
Employee Fringe Benefits	152,660
Contractual Services	260,633
Supplies and Materials	363,261
Other	<u>4,813</u>
<i>Total Operating Cash Disbursements</i>	<u>1,301,014</u>
<i>Operating Income (Loss)</i>	<u>1,549,089</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	189,126
Sale of Notes	449,334
Miscellaneous Receipts	15,445
Capital Outlay	(612,294)
Principal Retirement	(590,493)
OWDA Principal Forgiveness	(36,407)
Interest and Other Fiscal Charges	<u>(52,047)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(637,336)</u>
<i>Net Change in Fund Cash Balance</i>	911,753
<i>Fund Cash Balance, January 1</i>	<u>4,160,298</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$5,072,051</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, 2015 AND 2014**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of 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 a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:

Ohio Plan Risk Management public entity risk pool

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 § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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.

The Village values certificates of deposit and mortgage-backed securities at cost. Money market mutual funds are recorded at share values the mutual funds report.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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  
NOBLE COUNTY**

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license 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.

Sewer Construction and Replacement Fund - This fund receives grant money from Ohio Public Works Commission and Ohio Water Development Authority that are used for large Sewer and Construction Replacement projects.

**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. Appropriations lapse at year end.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

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

**E. Budgetary Process (Continued)**

**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 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 canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. 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.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

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

**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 pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2015	2014
Demand deposits	\$3,278,878	\$2,603,689
Certificates of deposit	819,368	819,368
Savings accounts	16,280	16,280
Total deposits	4,114,526	3,439,337
Money Market Account	192,494	949,410
Mortgage-Backed Securities	3,972,815	3,215,899
Total investments	4,165,309	4,165,309
Total deposits and investments	\$8,279,835	\$7,604,646

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**Investments:** Mortgage-backed securities are held in book-entry form by Raymond James, in the name of the Village. The financial institution maintains records identifying the Village as owner of these securities.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$481,850	\$545,565	\$63,715
Special Revenue	101,700	100,483	(1,217)
Enterprise	4,577,246	4,856,375	279,129
Permanent	1,275	149	(1,126)
Total	\$5,162,071	\$5,502,572	\$340,501

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$429,540	\$321,115	\$108,425
Special Revenue	162,506	97,208	65,298
Enterprise	5,053,238	4,399,063	654,175
Permanent	10,200	9,997	203
Total	\$5,655,484	\$4,827,383	\$828,101

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**3. Budgetary Activity (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$556,056	\$339,672	(\$216,384)
Special Revenue	102,300	97,110	(5,190)
Enterprise	3,037,700	3,504,008	466,308
Permanent	1,275	128	(1,147)
Total	\$3,697,331	\$3,940,918	\$243,587

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$494,242	\$309,304	\$184,938
Special Revenue	152,000	65,898	86,102
Enterprise	3,119,202	2,592,255	526,947
Permanent	10,200	0	10,200
Total	\$3,775,644	\$2,967,457	\$808,187

**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.

**4. Property Tax (Continued)**

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. Debt**

Debt outstanding at December 31, 2015 was as follows:

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**5. Debt (Continued)**

	<u>Account</u>	<u>Principal</u>	<u>Interest Rate</u>
Berkadia Mortgage Revenue Bond		\$474,600	5.00%
OPWC - Sewer Replacement	CR15G	54,311	2.00%
OPWC - GAC Water Treatment Project	CR22J	187,500	0.00%
OPWC - Sunset Drive Sewer Project	CT62I	7,500	0.00%
OPWC - WWTP Headworks Project	CT75H	74,970	0.00%
OPWC - Water Transmission Main Replacement	CT68O	173,400	0.00%
OPWC - Water Feed Line Replacement	CR24R	18,566	0.00%
OPWC - Combined Sewer Separation Area B	CR22P	71,670	0.00%
OWDA - Sewer Prison	2705	163,660	2.20%
OWDA - Sewer Lines	2706	39,141	2.20%
OWDA - Water Treatment	4742	252,820	1.50%
OWDA - Water Replacement	5592	82,234	2.00%
OWDA - Sewer Replacement	5593	60,351	2.00%
OWDA - Combined Sewer Separation	5665	349,029	0.00%
OWDA - Combined Sew Sep Phase 2, Area B	6680	1,236,946	0.00%
OWDA - Combined Sew Sep Phase 3, Area A	6857	145,656	0.00%
		<u>\$3,392,354</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 OWDA provided principal retirement for account #6452 OWDA-Combined Sewer Separation Area B in the amounts of \$110,488 and \$36,407, in 2015 and 2014, respectively. This is reflected in the financial statements as OWDA Principal Forgiveness.

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, the GAC Water Treatment Project, the Water Transmission Main Replacement, the Water Feed Line Replacement, and the Combined Sewer Separation Area B. All loans are collateralized by water and sewer receipts. The Village has agreed to set rates sufficient to cover OPWC debt service requirements. OPWC

The OWDA – Combined Sewer Separation Phase 2, Area B (#6680), in the drawdown amount of \$325,496, OWDA – Combined Sewer Separation Phase 3, Area A (#6857), in the drawdown amount of \$145,656, OPWC – Water Feed Line Replacement (#CR24R) in the drawdown amount of \$18,566 and OPWC – Combined Sewer Separation, Area B (#CR22R, in the drawdown amount of \$71,670 are not included in the amortization schedule below due to these projects still being in the Letter of Credit stage and monies are still being drawn on these accounts.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

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

**5. Debt (Continued)**

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

Year ending December 31:	Water Bond	OWDA Loans	OWPC Loans
2016	\$99,730	\$127,743	\$5,100
2017	98,930	152,411	40,064
2018	96,980	49,333	40,065
2019	95,930	49,335	40,065
2020	95,330	49,334	40,064
2021-2025	70,350	246,671	200,323
2026-2030		240,807	111,747
2031-2035		67,676	25,500
2036-2040		33,835	
Total	<u>\$557,250</u>	<u>\$1,017,145</u>	<u>\$502,928</u>

**6. Retirement Systems**

**Ohio Public Employees Retirement System**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contribute an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Social Security**

Two of the Village's elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The Council member contributed 6.2 percent of his gross salary. The Village contributed an amount equal to 6.2 percent of his gross salary. The Village has paid all contributions required through December 31, 2015.

**7. Risk Management**

The Village contracts with Westfield 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 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 CALDWELL  
NOBLE COUNTY**

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

**7. 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. 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, 2015 and 2014 (the latest information available):

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

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

**8. 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.



# 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 cash balances, receipts and disbursements by fund type of the Village of Caldwell, Noble County, Ohio (the Village), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 17, 2016, wherein we noted the Village followed financial reporting provisions of Ohio Rev. Code § 117.38 and the Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 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 of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 to be material weaknesses.

### ***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.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

[www.ohioauditor.gov](http://www.ohioauditor.gov)

However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2015-001.

***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.

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

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

October 17, 2016

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 and 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2015-001**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.42 provides that federal and state grants or loans are "deemed appropriated for the purpose for which such bond was issued by the taxing authority" as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection. The fiscal officer should also include the appropriated amounts on the (amended) certificate to properly monitor budget versus actual activity.

AOS Bulletin 2000-008 provides guidance for cash basis accounting for on-behalf funding. In short, the Bulletin indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. In addition, the applicable budgetary legal requirements should be followed for the program the same as if the moneys were received and expended by the local government. Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

Ohio Rev. Code § 5705.36(A)(3) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

During 2015, the Village's Ohio Water Development Authority (OWDA) Account #6857 paid off a loan for Account #6673 in the amount of \$2,037. This amount was not posted to the Village's accounting system as sale of notes and principal payment in the Village's Sewer Construction and Replacement Fund. We also found during 2015 OWDA issued principal forgiveness in the amount of \$110,488 for Account #6452 that was not recorded as intergovernmental receipts and principal forgiveness by the Village to the Sewer Construction and Replacement Fund.

During 2014, the Village's OWDA Account #6857 and Account #6680 paid off a loan for Account #6673 in the amount of \$48,520 and Account #6176 in the amount of \$167,796, respectively. These amounts were not posted to the Village's accounting system as sale of notes and principal payment in the Village's Sewer Construction and Replacement Fund. We also found during 2014 OWDA issued principal forgiveness in the amount of \$36,407 for Account #6452 that was not recorded as intergovernmental receipts and OWDA principal forgiveness by the Village to the Sewer Construction and Replacement Fund.

The Village did not obtain an amended certificate for these new amounts of revenue or amend appropriations for the amounts disbursed. Therefore, these estimated receipts and supplemental appropriations were not recorded to their budgetary accounting system.

These significant adjustments, with which management agrees, were posted to the financial statements and accounting system of the Village.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 and 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-001 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 5705.42 (Continued)**

All "on-behalf" payments should be posted to the Village's ledgers. Further, when "on-behalf" disbursements are made, the Village should obtain an amended certificate from the budget commission and record supplemental appropriations with the budget commission. If the budget commission certifies an amended official certificate and approves supplemental appropriations, then the Village should amend their budgetary accounting system.

**FINDING NUMBER 2015-002**

**Material Weakness**

The Village should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets document compliance with finance-related legal and contractual requirements and prepare financial statements. As part of this accounting system, the Village should have procedures in place for a review of transactions posted by the Fiscal Officer.

As a result of audit procedures performed, misclassifications/adjustments were noted in the Village's financial statements that required adjustment for 2015:

- The Fiscal Officer misclassified grant receipts for Ohio Water Development Authority (OPWC) Account #78R, in the amount of \$59,917 to sale of notes instead of intergovernmental in the Water Works Construction Fund;
- The Fiscal Officer misclassified grant receipts for Ohio Public Works Commission (OPWC) Grant #CT39P, in the amount of \$89,665 to sale of notes instead of intergovernmental receipts in the Sewer Construction and Replacement Fund;
- The Fiscal Officer misclassified grant receipts from Community Development Block Grant, in the amount of \$104,817 to sale of notes instead of intergovernmental receipts in the Sewer Construction and Replacement Fund;
- The Fiscal Officer posted intergovernmental receipts to the wrong receipt classification and improper fund for OPWC Grant #CT39P, in the amount of \$15,596. This revenue was posted to sale of notes in the Water Works Construction Fund, Enterprise Fund type instead of intergovernmental receipts in the Sewer Construction and Replacement Fund, Enterprise Fund type;
- The Fiscal Officer misclassified charge for service revenue as other revenue in the Sewer Operating Fund, in the amount of \$263,170; and
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.166 requires reporting amounts that cannot be spent as Nonspendable. GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal restrictions as Restricted. The Village improperly reported the restricted portion of the Permanent Funds' cash fund balance as nonspendable instead of restricted, in the amount of \$93,559 during 2015.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 and 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-002 (Continued)**

**Material Weakness (Continued)**

As a result of audit procedures performed, misclassifications/adjustments were noted in the Village's financial statements that required adjustment as follows for 2014:

- The Fiscal Officer misclassified loan proceeds for OWDA Account #6673, in the amount of \$21,347, for OWDA Account #6680, in the amount of \$39,263 and for OWDA Account #6452, in the amount of \$7,979 to intergovernmental receipts instead of sale of notes in the Sewer Construction and Replacement Fund;
- The Fiscal Officer posted loan proceeds to improper fund for OWDA Account #6452, in the amount of \$4,425 and for OWDA Account #6680, in the amount of \$51,791. These loan proceeds were posted the Water Works Construction Fund, Enterprise Fund type instead of the Sewer Construction and Replacement Fund, Enterprise Fund type;
- The Fiscal Officer posted intergovernmental receipts to the wrong receipt classification and improper fund for OPWC Grant #CT39P, in the amount of \$12,350. This revenue was posted to sale of notes in the Water Works Construction Fund, Enterprise Fund type instead of intergovernmental receipts in the Sewer Construction and Replacement Fund, Enterprise Fund type;
- The Fiscal Officer misclassified charge for service revenue as other revenue in the Sewer Operating Fund, in the amount of \$74,947; and
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances in the financial statements and was codified as follows: GASB Cod. 1800.166 requires reporting amounts that cannot be spent as Nonspendable. GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal restrictions as Restricted. The Village improperly reported the restricted portion of the Permanent Funds' cash fund balance as nonspendable instead of restricted, in the amount of \$103,409 during 2014.

The Fiscal Officer did not consistently post debt receipts and operating revenue to the proper Enterprise fund type or the proper revenue line account classification. These significant mispostings, by the Fiscal Officer, were incorrectly reported on the year-end financial statements prepared by the Village. Also, the year-end financial statements prepared by the Village did not report the fund equity properly in the Permanent Fund. These reclassifications and adjustments were due to limited oversight by management. The significant reclassifications and adjustments, with which management agrees, were posted to the financial statements and the accounting system of the Village. We also noted other misclassifications that were not material to the financial statements and, therefore, not included above. Also, the District failed to create a fund balance policy.

The Fiscal Officer should refer to the Village Officer's Handbook for proper receipt classification to ensure the Village's accounting system and year-end financial statements are properly reported. Also, the District should adopt control procedures for the review of postings made by the fiscal officer. In addition, the Village should create and approve a fund balance policy.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 and 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003**

**Material Weakness**

The Fiscal Officer posts legislatively approved budgetary amounts to the UAN accounting system at the beginning of the year and throughout the year as changes are required. Each month, the Fiscal Officer provides Village Council with a financial report package, which includes the Revenue and Appropriation Status reports. The financial report package is approved each month by the Village Council.

At December 31, 2015, estimated receipts, as approved by the Budget Commission, did not agree to the estimated receipts posted by the Fiscal Officer in the UAN budgetary accounting system for the Sewer Construction and Replacement Fund, by a variance of \$482,046. At December 31, 2014, estimated receipts as approved by the Budget Commission, did not agree to the estimated receipts posted by the Village Fiscal Officer in the UAN budgetary accounting system for the General Fund, by a variance of \$5,506.

As a result of these improper budgetary postings, the Budget vs Actual note disclosures prepared by the Village as part of the financial reporting package at year end in 2015 and 2014 did not agree to the legislatively approved amounts. The Village's oversight control of Village Council reviewing the Revenue Status report each month did not identify the error in misposting of estimated receipts. The Fiscal Officer made adjusting entries to the 2014 and 2015 Budget vs Actual note disclosures to properly report the estimated receipts.

The Fiscal Officer should accurately post estimated receipts as approved by the Budget Commission into the accounting system. The Village Council should review the budgetary postings in the reports provided to them monthly to ensure the accuracy of the postings made by the Fiscal Officer. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** We did not receive a response from Officials to these findings.



# 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  
NOVEMBER 15, 2016