



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, 2017 and 2016.

### ***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 2 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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Caldwell, Noble County as of December 31, 2017 and 2016, 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 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



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

September 4, 2018

**Village of Caldwell, Ohio**  
*Noble County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$39,386	\$0	\$0	\$39,386
Intergovernmental	25,805	185,020	0	210,825
Charges for Services	66	6,750	0	6,816
Fines, Licenses and Permits	40	0	0	40
Earnings on Investments	125,624	186	159	125,969
Miscellaneous	34,281	220	0	34,501
<i>Total Cash Receipts</i>	<u>225,202</u>	<u>192,176</u>	<u>159</u>	<u>417,537</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	21,778	1,593	0	23,371
Public Health Services	0	6,728	0	6,728
Community Environment	6,874	0	0	6,874
Transportation	156,635	204,060	0	360,695
General Government	89,454	0	0	89,454
Capital Outlay	0	4,595	0	4,595
<i>Total Cash Disbursements</i>	<u>274,741</u>	<u>216,976</u>	<u>0</u>	<u>491,717</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,539)</u>	<u>(24,800)</u>	<u>159</u>	<u>(74,180)</u>
<b>Other Financing (Disbursements)</b>				
Other Financing Uses	(10,087)	0	0	(10,087)
<i>Total Other Financing (Disbursements)</i>	<u>(10,087)</u>	<u>0</u>	<u>0</u>	<u>(10,087)</u>
<i>Net Change in Fund Cash Balances</i>	(59,626)	(24,800)	159	(84,267)
<i>Fund Cash Balances, January 1</i>	<u>2,135,762</u>	<u>388,847</u>	<u>97,916</u>	<u>2,622,525</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	4,215	4,215
Restricted	0	364,047	93,860	457,907
Assigned	178,122	0	0	178,122
Unassigned (Deficit)	1,898,014	0	0	1,898,014
<i>Fund Cash Balances, December 31</i>	<u>\$2,076,136</u>	<u>\$364,047</u>	<u>\$98,075</u>	<u>\$2,538,258</u>

*See accompanying notes to the basic financial statements*

**Village of Caldwell, Ohio**  
*Noble County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2017*

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$2,587,314
<i>Total Operating Cash Receipts</i>	<u>2,587,314</u>
<b>Operating Cash Disbursements</b>	
Personal Services	516,454
Employee Fringe Benefits	170,293
Contractual Services	390,972
Supplies and Materials	345,691
Other	5,694
<i>Total Operating Cash Disbursements</i>	<u>1,429,104</u>
<i>Operating Income</i>	<u>1,158,210</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	108,759
Sale of Notes	1,042,016
Miscellaneous Receipts	80,176
Capital Outlay	(1,349,372)
Principal Retirement	(320,748)
Interest and Other Fiscal Charges	(30,833)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(470,002)</u>
<i>Net Change in Fund Cash Balances</i>	688,208
<i>Fund Cash Balances, January 1</i>	<u>5,294,939</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,983,147</u></u>

*See accompanying notes to the basic financial statements*



**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

**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 and park operations. 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 6 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.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

**Fund Accounting**

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**General Fund**

The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**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:

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

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

**Permanent Fund**

This fund accounts 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.

**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 the residents to cover water costs.

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

Sewer Construction and Replacement Fund – This fund receives grant money from OPWC and OWDA that are used for large sewer projects.

Sewer Revenue Bond Retirement Fund – This fund receives an allocation of sewer revenues for retirement of debt.

**Basis of Accounting**

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 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Budgetary Process**

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

**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. Unencumbered appropriations lapse at year end.

**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.

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

**Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements or 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.

**Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Fund Balance**

Fund balance is divided into four 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:

**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.

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

**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.

**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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$189,590	\$225,202	\$35,612
Special Revenue	103,300	192,176	88,876
Enterprise	5,211,300	3,818,265	(1,393,035)
Permanent	1,275	159	(1,116)
Total	\$5,505,465	\$4,235,802	(\$1,269,663)

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 – Budgetary Activity (continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$418,391	\$284,828	\$133,563
Special Revenue	220,700	216,976	3,724
Enterprise	4,826,200	3,130,057	1,696,143
Permanent	10,200	0	10,200
Total	\$5,475,491	\$3,631,861	\$1,843,630

Contrary to Ohio Rev. Code §§ 5705.36 (A)(3) and 5705.42, the Village did not obtain an amended certificate of appropriations for certain new revenues and expenditures.

**Note 4 – 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:

	2017
Demand deposits	\$3,120,282
Certificates of deposit	819,533
Other time deposits (savings accounts)	16,280
Total deposits	3,956,095
Money Market Account	167,262
Mortgage-Backed Securities	4,398,048
Total investments	4,565,310
Total deposits and investments	\$8,521,405

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**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.

**Note 5 – Taxes**

**Property Taxes**

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

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Taxes (continued)**

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.

**Note 6 - Risk Management**

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

The Village belongs to the Ohio Risk Management, Inc. (OPRM) 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 separated from its member’s government.

Pursuant to § 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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management (continued)**

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016:

	2016
Assets	\$ 14,765,712
Liabilities	(9,531,506)
Members' Equity	\$ 5,234,206

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

**Note 7 - Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

The Villages 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 contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

*Social Security*

Three of the Villages employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017, was as follows:

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt (continued)**

	<u>Account</u>	<u>Principal</u>	<u>Interest Rate</u>
Berkadia Mortgage Revenue Bond		\$319,600	5.00%
OPWC - Sewer Replacement	CR15G	43,191	2.00%
OPWC - GAC Water Treatment Project	CR22J	157,500	0.00%
OPWC - Sunset Drive Sewer Project	CT62I	6,000	0.00%
OPWC - WWTP Headworks Project	CT75H	59,976	0.00%
OPWC - Water Transmission Main Replacement	CT68O	153,000	0.00%
OPWC - Water Feed Line Replacement	CR24R	22,835	0.00%
OPWC - Combined Sewer Separation Area B	CR22P	123,911	0.00%
OPWC – Sewer Area A	CT60S	193,914	0.00%
OWDA - Water Treatment	4742	233,115	1.50%
OWDA - Water Replacement	5592	71,841	2.00%
OWDA - Sewer Replacement	5593	52,724	2.00%
OWDA - Combined Sewer Separation	5665	300,887	0.00%
OWDA - Combined Sew Sep Phase 2, Area B	6680	1,427,502	0.00%
OWDA - Combined Sew Sep Phase 3, Area A	7408	1,046,580	0.00%
OWDA – Sewer Separation, Area F	7566	47,500	0.00%
		<u>\$4,260,076</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) 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 #7621 OWDA-Cyanotoxin Testing Equipment in the amount of \$17,556. 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.

The OWDA-Combined Sewer Separation Phase 3, Area A (#7408) in the drawdown amount of \$779,759 and OWDA-Sewer Separation, Area F (#7566) in the drawdown amount of \$47,500 are not included in the amortization schedule below due to these projects still being in Letter of Credit stage and monies are still being drawn on these accounts.



**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 9 – Debt (continued)**

**Amortization**

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

Year Ending December 31:	OWDA Loans	OPWC Loans	Water Bonds
2018	\$24,666	\$15,574	\$96,980
2019	49,335	54,394	95,930
2020	49,334	54,393	95,330
2021	49,335	54,394	70,350
2022	49,335	54,394	
2023-2027	246,670	250,485	
2028-2032	169,208	145,145	
2033-2037	67,674	72,250	
2038-2042	6,767	32,865	
2043-2047		6,573	
Total	\$712,324	\$740,467	\$358,590

**Note 10 – Contingent Liabilities**

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

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**Village of Caldwell, Ohio***Noble County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$41,525	\$0	\$0	\$41,525
Intergovernmental	22,897	86,571	0	109,468
Charges for Services	56	8,675	0	8,731
Fines, Licenses and Permits	85	0	0	85
Earnings on Investments	119,079	143	153	119,375
Miscellaneous	82	0	0	82
<i>Total Cash Receipts</i>	<u>183,724</u>	<u>95,389</u>	<u>153</u>	<u>279,266</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	24,733	1,574	0	26,307
Public Health Services	0	11,366	0	11,366
Community Environment	5,874	0	0	5,874
Transportation	196,635	59,671	0	256,306
General Government	91,314	0	0	91,314
Capital Outlay	0	13,051	0	13,051
<i>Total Cash Disbursements</i>	<u>318,556</u>	<u>85,662</u>	<u>0</u>	<u>404,218</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(134,832)</u>	<u>9,727</u>	<u>153</u>	<u>(124,952)</u>
<b>Other Financing (Disbursements)</b>				
Other Financing Uses	(2,995)	0	0	(2,995)
<i>Total Other Financing (Disbursements)</i>	<u>(2,995)</u>	<u>0</u>	<u>0</u>	<u>(2,995)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(137,827)</u>	<u>9,727</u>	<u>153</u>	<u>(127,947)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,273,589</u>	<u>379,120</u>	<u>97,763</u>	<u>2,750,472</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	4,210	4,210
Restricted	0	388,847	93,706	482,553
Assigned	228,801	0	0	228,801
Unassigned (Deficit)	1,906,961	0	0	1,906,961
<i>Fund Cash Balances, December 31</i>	<u>\$2,135,762</u>	<u>\$388,847</u>	<u>\$97,916</u>	<u>\$2,622,525</u>

*See accompanying notes to the basic financial statements*

**Village of Caldwell, Ohio**  
*Noble County*  
*Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Type Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$2,524,076
<i>Total Operating Cash Receipts</i>	<u>2,524,076</u>
<b>Operating Cash Disbursements</b>	
Personal Services	537,994
Employee Fringe Benefits	162,304
Contractual Services	292,765
Supplies and Materials	382,110
Other	4,707
<i>Total Operating Cash Disbursements</i>	<u>1,379,880</u>
<i>Operating Income</i>	<u>1,144,196</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	142,125
Sale of Notes	748,200
Miscellaneous Receipts	83,023
Capital Outlay	(1,715,180)
Principal Retirement	(602,573)
Interest and Other Fiscal Charges	(34,215)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,378,620)</u>
<i>Net Change in Fund Cash Balances</i>	(234,424)
<i>Fund Cash Balances, January 1</i>	<u>5,529,363</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,294,939</u></u>

*See accompanying notes to the basic financial statements*

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

*Description of 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 and park operations. 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 6 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.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 license tax money for constructing, maintaining, and repairing Village Streets.

**Cemetery Fund** – This fund receives monies from the opening and closing of graves and grave space that are restricted to care of the cemetery.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Permanent Fund** This fund accounts 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.

**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 the residents to cover water costs.

**Sewer Operating Fund** – This fund receives charges for services from the residents to cover sewer services costs.

**Sewer Construction and Replacement Fund** – This fund receives grant money from OPWC and OWDA that are used for large sewer projects.

***Basis of Accounting***

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 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

***Budgetary Process***

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

**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. Unencumbered appropriations lapse at year end.

**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.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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 2016 budgetary activity appears in Note 3.

***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.

***Capital Assets***

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

***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.

***Fund Balance***

Fund balance is divided into four 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:

***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.

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

***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.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 2 - Summary of Significant Accounting Policies (continued)**

*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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$195,490	\$183,724	(\$11,766)
Special Revenue	107,600	95,389	(12,211)
Enterprise	5,445,300	3,497,424	(1,947,876)
Permanent	1,275	153	(1,122)
Total	\$5,749,665	\$3,776,690	(\$1,972,975)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$414,754	\$321,551	\$93,203
Special Revenue	166,275	85,662	80,613
Enterprise	5,298,438	3,731,848	1,566,590
Permanent	10,200	0	10,200
Total	\$5,889,667	\$4,139,061	\$1,750,606

Contrary to Ohio Rev. Code §§ 5705.36 (A)(3) and 5705.42, the Village did not obtain an amended certificate or appropriations for certain new revenues and expenditures.

**Note 4 – 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 Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 4 – Deposits and Investments (continued)**

	<u>2016</u>
Demand deposits	\$2,516,342
Certificates of deposit	819,532
Other time deposits (savings accounts)	16,280
Total deposits	<u>3,352,154</u>
Money Market Account	934,876
Mortgage-Backed Securities	3,630,434
Total investments	<u>4,565,310</u>
Total deposits and investments	<u><u>\$7,917,464</u></u>

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

***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.

**Note 5 – Taxes**

***Property Taxes***

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.

**Note 6 - Risk Management**

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

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 - Risk Management (continued)**

The Village belongs to the Ohio Risk Management, Inc. (OPRM) 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’s government.

Pursuant to § 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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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, 2016:

	2016
\$	14,765,712
	<u>(9,531,506)</u>
\$	<u>5,234,206</u>

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

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Villages 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.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 7 - Defined Benefit Pension Plans (continued)**

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Two of the Villages employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Account</u>	<u>Principal</u>	<u>Interest Rate</u>
Berkadia Mortgage Revenue Bond		\$398,600	5.00%
OPWC - Sewer Replacement	CR15G	51,573	2.00%
OPWC - GAC Water Treatment Project	CR22J	180,000	0.00%
OPWC - Sunset Drive Sewer Project	CT62I	7,125	0.00%
OPWC - WWTP Headworks Project	CT75H	71,222	0.00%
OPWC - Water Transmission Main Replacement	CT68O	168,300	0.00%
OPWC - Water Feed Line Replacement	CR24R	24,687	0.00%
OPWC - Combined Sewer Separation Area B	CR22P	130,433	0.00%
OWDA - Water Treatment	4742	243,041	1.50%
OWDA - Water Replacement	5592	77,089	2.00%
OWDA - Sewer Replacement	5593	56,575	2.00%
OWDA - Combined Sewer Separation	5665	324,958	0.00%
OWDA - Combined Sew Sep Phase 2, Area B	6680	1,509,074	0.00%
OWDA - Combined Sew Sep Phase 3, Area A	7408	299,254	0.00%
		<u>\$3,541,931</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.

**Village of Caldwell, Ohio**  
*Noble County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 9 – Debt (continued)**

The Ohio Water Development Authority (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 Phase 3, Area A Design in the amount of \$33,378. 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.

The OWDA-Combined Sewer Separation Phase 2, Area B (#6680), in the amount of \$353,699 and OWDA-Combined Sewer Separation Phase 3, Area A (#7408) in the drawdown amount of \$299,254 are not included in the amortization schedule below due to these projects still being in Letter of Credit stage and monies are still being drawn on these accounts.

***Amortization***

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

Year Ending December 31:	OWDA Loans	OPWC Loans	Water Bonds
2017	\$24,667	\$44,559	\$98,930
2018	49,333	47,821	96,980
2019	49,335	47,821	95,930
2020	49,334	47,820	95,330
2021	49,335	47,821	70,350
2022-2026	246,670	232,485	
2027-2031	205,008	127,280	
2032-2036	67,675	54,080	
2037-2041	20,301	3,261	
Total	\$761,658	\$652,948	\$457,520

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding and 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 4, 2018, 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 2017-001 and 2017-002 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.

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 matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2017-001.

***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

September 4, 2018

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 and 2016**

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

**FINDING NUMBER 2017-001**

**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 2017, the Village was involved in an Ohio Public Works Commission (OPWC) paving project. The OPWC paid the vendor directly for the project. The Village did not post a receipt and expenditure in the amount of \$96,409 for the project to its books. As a result, receipts and disbursements were understated on the Village's books and annual financial report for 2017.

During 2017, the Ohio Water Development Authority (OWDA) issued principal forgiveness in the amount of \$17,556 for Account #7621. This transaction was not recorded as intergovernmental receipts and OWDA principal forgiveness by the Village to the Water Works Construction Improvement Fund.

During 2016, the Village's OWDA Account #7408 paid off a loan for Account #6857 in the amount of \$131,931. 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 2016 OWDA issued principal forgiveness in the amount of \$33,378 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, 2017 and 2016  
(Continued)**

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

**FINDING NUMBER 2017-001 (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 2017-002**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

The Ohio Village Handbook (revised March 2018) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not always record receipts and disbursements into accurate classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

Also, the Village did not properly classify its December 31, 2017 and 2016 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

The following misclassifications/adjustments were noted for the financial statements ending December 31, 2017:

- Grant receipts for Ohio Public Works Commission (OPWC) Grant #CT59S, in the amount of \$63,379 were incorrectly posted to sale of notes instead of intergovernmental receipts in the Sewer Construction and Replacement Fund;
- Loan proceeds for OPWC Account #CR22P, in the amount of \$16,510 were posted to the Water Works Construction Fund, Enterprise Fund type, instead of the Sewer Construction and Replacement Fund, Enterprise Fund type;
- Loan proceeds for Ohio Water Development Authority (OWDA) Account #'s 2706, 5593, 5665, 6680 and 6857, in the total amount of \$88,822 were posted to the Water Revenue Bond Retirement Fund, Enterprise Fund type, instead of the Sewer Revenue Bond Retirement Fund, Enterprise Fund type;



**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 and 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-002 (Continued)**

**Material Weakness (Continued)**

- Loan proceeds for OWDA Account #'s 4742 and 5592, in the total amount of \$7,431 were posted to the Sewer Revenue Bond Retirement Fund, Enterprise Fund type, instead of the Water Revenue Bond Retirement Fund, Enterprise Fund type;
- Ordinance 2012-01 states the Clerk/Treasurer shall disburse revenue from the water and sewer collection to the following funds per month: Water Works Construction, \$15,000, Water Revenue Bond Retirement, \$25,000, Sewer Construction and Replacement, \$15,000, Sewer Revenue Bond Retirement, \$25,000, and Sewer Equipment, \$3,000. The Clerk/Treasurer posted \$15,000 to the Water Works Construction Fund that should have been posted to the Sewer Construction and Replacement Fund;
- 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 \$93,706; and appropriations in excess of estimated receipts in the General Fund were posted as unassigned instead of reporting the excess as assigned, in the amount of \$228,801.

The following misclassifications/adjustments were noted in the financial statements ending December 31, 2016:

- Grant receipts for the Ohio Public Works Commission (OPWC) Grant #CT59S, in the amount of \$91,203 were misclassified as sale of notes instead of intergovernmental receipts in the Sewer Construction and Replacement Fund;
- An OWDA receipt in the amount of \$17,556 was incorrectly posted to intergovernmental receipts instead of sale of notes;
- Ordinance 2012-01 states the Clerk/Treasurer shall disburse revenue from the water and sewer collection to the following funds per month: Water Works Construction, \$15,000, Water Revenue Bond Retirement, \$25,000, Sewer Construction and Replacement, \$15,000, Sewer Revenue Bond Retirement, \$25,000, and Sewer Equipment, \$3,000. The Clerk/Treasurer posted \$30,000 to the Water Works Construction Fund that should have been posted to the Sewer Construction and Replacement Fund in the amount of \$5,000 and the Sewer Revenue Bond Retirement Fund in the amount of \$25,000;
- 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 require 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 \$93,860; and improperly reported appropriations in excess of estimated receipts in the General Fund as unassigned instead of reporting the excess as assigned, in the amount of \$178,122.

The Clerk/Treasurer did not consistently post debt receipts and operating revenue to the proper fund or the proper revenue line account classification. These mispostings 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 and General Fund.

**VILLAGE OF CALDWELL  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 and 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-002 (Continued)**

**Material Weakness (Continued)**

These reclassifications and adjustments were due to limited oversight by management. These significant reclassifications and adjustments, with which management agrees, were posted to the financial statements and the accounting system of the Village. Also, the Village failed to create a fund balance policy.

The Clerk/Treasurer 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 Village should adopt control procedures for the review of postings made by the Clerk/Treasurer. In addition, the Village should create and approve a fund balance policy.

**Officials' Response:** Management did not respond to the Findings.

Village of Caldwell  
 215 West Street  
 Caldwell, Ohio 43724  
 740-732-2053

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	The Village did not post Ohio Water Development Authority (OWDA) monies properly during 2015 and 2014.	Not Corrected	The Clerk/Treasurer did not understand how to post the OWDA monies disbursed as a grant or the OWDA monies received as a loan to pay off another OWDA loan.
2015-002	Misposting of receipts and fund balance classifications during 2015 and 2014.	Not Corrected	The Clerk/Treasurer is creating a better system to document which funds are receiving revenue from the water and sewer department each month. The Clerk/Treasurer is also going to work on a fund balance policy and changing the fund balance classification of the Cemetery Endowment Fund.
2015-003	Estimated Receipts as approved by the Budget Commission did not agree to the amounts recorded in the UAN system for the Sewer Construction and Replacement Fund at December 31, 2015 and in the General Fund at December 31, 2014.	Fully Corrected	None

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# 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  
SEPTEMBER 25, 2018