



Dave Yost • Auditor of State

**VILLAGE OF CALEDONIA
MARION COUNTY
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 2016.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types- For the Year Ended December 31, 2016.....	4
Notes to the Financial Statements December 31, 2016.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 2015.....	13
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types- For the Year Ended December 31, 2015.....	14
Notes to the Financial Statements December 31, 2015.....	15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Caledonia
Marion County
110 E. Marion, Street
Caledonia, Ohio 43314

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of cash balances, receipts, and disbursements by fund type, and related notes of the Village of Caledonia, Marion County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these 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 Section 117.38 and Ohio Administrative Code Section 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, 2016 and 2015, or changes in financial position or cash flows 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 Caledonia, Marion County, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 July 24, 2017, 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

July 24, 2017

**VILLAGE OF CALEDONIA, OHIO
MARION 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 59,692	\$ -	\$ 59,692
Intergovernmental	28,144	25,639	53,783
Charges for Services	1,850		1,850
Fines, Licenses and Permits	4,848		4,848
Earnings on Investments	846	433	1,279
Miscellaneous	1,889		1,889
<i>Total Cash Receipts</i>	<u>97,269</u>	<u>26,072</u>	<u>123,341</u>
Cash Disbursements			
Current:			
Security of Persons and Property	13,781		13,781
Public Health Services	1,919		1,919
Leisure Time Activities	15,313		15,313
Community Environment	2,997		2,997
Transportation	912	6,107	7,019
General Government	41,317		41,317
Capital Outlay	36,909		36,909
Debt Service:			
Principal Retirement	835		835
<i>Total Cash Disbursements</i>	<u>113,983</u>	<u>6,107</u>	<u>120,090</u>
<i>Net Change in Fund Cash Balances</i>	(16,714)	19,965	3,251
<i>Fund Cash Balances, January 1</i>	<u>197,880</u>	<u>84,903</u>	<u>282,783</u>
Fund Cash Balances, December 31			
Restricted		104,868	104,868
Assigned	134,310		134,310
Unassigned (Deficit)	46,856		46,856
<i>Fund Cash Balances, December 31</i>	<u>\$ 181,166</u>	<u>\$ 104,868</u>	<u>\$ 286,034</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 107,999
<i>Total Operating Cash Receipts</i>	<i>107,999</i>
Operating Cash Disbursements	
Personal Services	4,050
Employee Fringe Benefits	497
Contractual Services	60,254
Supplies and Materials	5,064
<i>Total Operating Cash Disbursements</i>	<i>69,865</i>
<i>Operating Income (Loss)</i>	<i>38,134</i>
Non-Operating Receipts (Disbursements)	
Special Assessments	39,172
Earnings on Investments (proprietary funds only)	370
Principal Retirement	(61,191)
Interest and Other Fiscal Charges	(34,339)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(55,988)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(17,854)</i>
Transfers In	50,037
Transfers Out	(50,037)
<i>Net Change in Fund Cash Balances</i>	<i>(17,854)</i>
<i>Fund Cash Balances, January 1</i>	<i>320,427</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 302,573</i>

See accompanying notes to the basic financial statements

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The Village of Caledonia (the Village), Marion County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

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 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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

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

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

VILLAGE OF CALEDONIA
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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. 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 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

VILLAGE OF CALEDONIA
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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.

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.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,950	\$97,269	\$20,319
Special Revenue	24,420	26,072	1,652
Enterprise	183,980	197,578	13,598
Total	\$285,350	\$320,919	\$35,569

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$248,730	\$113,983	\$134,747
Special Revenue	81,700	6,107	75,593
Enterprise	345,462	215,432	130,030
Total	\$675,892	\$335,522	\$340,370

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:

	2016
Demand deposits	\$366,078
STAR Ohio	222,529
Total deposits and investments	\$588,607

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

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.

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

Risk Pool Membership

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.

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.

VILLAGE OF CALEDONIA
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note 6- Risk Management (Continued)

Risk Pool Membership (Continued)

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Two 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, 2016.

Social Security

Several Village 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.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Note 8 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (Old Clark Ditch Drain Replacement)	\$5,948	0.00%
Ohio Public Works Commission (Main Street Drain Replacement)	\$40,899	0.00%
Sanitary Sewer Mortgage Revenue Bonds (Sewer Plant Construction)	<u>\$642,000</u>	5.00%
Total	<u><u>\$688,847</u></u>	

The Village's Old Clark Ditch storm drain project exceeded the OPWC grant amount and thus a loan amount of \$33,390 became effective in 2000. The OPWC loan relating to the storm drain construction will be repaid in semiannual installments of \$850, interest free, over 20 years.

The OPWC Main Street storm drain loan relates to the replacement of three catch basins on Main and South Streets in the Village. The Village will repay the loan in semiannual installments of \$835, interest free, over 30 years.

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

Amortization

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

Year ending December 31:	OPWC Old Clark Ditch Drain Loan	OPWC Main Street Stom Drain Loan	Sanitary Sewer Mortgage Revenue Bonds
2017	\$1,700	\$1,669	50,100
2018	1,700	1,669	50,200
2019	1,700	1,669	50,250
2020	850	1,669	49,250
2021	0	1,669	50,250
2022-2026	0	8,347	250,650
2027-2031	0	8,347	250,650
2032-2036	0	8,347	249,900
2037-2041	0	7,512	50,400
Total	<u>\$5,950</u>	<u>\$40,898</u>	<u>\$1,051,650</u>

VILLAGE OF CALEDONIA
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

Note 9 – Jointly Governed Organizations

First Consolidated Fire District

Canaan, Claridon, Scott, and Tully Townships and the Village of Caledonia participate in the First Consolidated Fire District (District). The Townships and Village each elect one of the five members of the District's Board of Trustees. The District provides fire protection, fire prevention, Emergency Medical Services (EMS), Hazardous Material Response, and water rescue.

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 59,133	\$ -	\$ -	\$ 59,133
Intergovernmental	26,525	25,910		52,435
Charges for Services	3,075			3,075
Fines, Licenses and Permits	4,199			4,199
Earnings on Investments	287	94		381
Miscellaneous	469			469
<i>Total Cash Receipts</i>	<u>93,688</u>	<u>26,004</u>	<u>-</u>	<u>119,692</u>
Cash Disbursements				
Current:				
Security of Persons and Property	18,114			18,114
Public Health Services	3,207			3,207
Leisure Time Activities	7,454			7,454
Community Environment	1,920			1,920
Basic Utility Services	60			60
Transportation	4,164	23,872		28,036
General Government	34,672			34,672
Capital Outlay	31,234		16,055	47,289
Debt Service:				
Principal Retirement	835			835
<i>Total Cash Disbursements</i>	<u>101,660</u>	<u>23,872</u>	<u>16,055</u>	<u>141,587</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,972)</u>	<u>2,132</u>	<u>(16,055)</u>	<u>(21,895)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	37,239			37,239
Transfers Out	(45)			(45)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>37,194</u>	<u>-</u>	<u>-</u>	<u>37,194</u>
Special Item				-
Extraordinary Item				-
<i>Net Change in Fund Cash Balances</i>	29,222	2,132	(16,055)	15,299
<i>Fund Cash Balances, January 1</i>	<u>168,658</u>	<u>82,771</u>	<u>16,055</u>	<u>267,484</u>
Fund Cash Balances, December 31				
Restricted		84,903		84,903
Assigned	171,780			171,780
Unassigned (Deficit)	26,100			26,100
<i>Fund Cash Balances, December 31</i>	<u>\$ 197,880</u>	<u>\$ 84,903</u>	<u>\$ -</u>	<u>\$ 282,783</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 112,109
<i>Total Operating Cash Receipts</i>	112,109
Operating Cash Disbursements	
Personal Services	4,100
Employee Fringe Benefits	501
Contractual Services	71,034
Supplies and Materials	2,372
<i>Total Operating Cash Disbursements</i>	78,007
<i>Operating Income (Loss)</i>	34,102
Non-Operating Receipts (Disbursements)	
Special Assessments	38,691
Earnings on Investments (proprietary funds only)	74
Principal Retirement	(64,719)
Interest and Other Fiscal Charges	(37,245)
<i>Total Non-Operating Receipts (Disbursements)</i>	(63,199)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(29,097)
Transfers In	50,349
Transfers Out	(50,304)
<i>Net Change in Fund Cash Balances</i>	(29,052)
<i>Fund Cash Balances, January 1</i>	349,479
<i>Fund Cash Balances, December 31</i>	\$ 320,427

See accompanying notes to the basic financial statements

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Caledonia (the Village), Marion County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village contracts with the Marion County Sheriff's department to provide security of persons and property.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for these entities. 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

Other Capital Projects Fund This balance in this fund is from the proceeds of an expired permanent improvement tax levy which are used for maintenance of the Village Hall.

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Other Enterprise Service Fund This fund receives charges for services from residents to cover storm drain costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund 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. 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 canceled, and reappropriated in the subsequent year.

A summary of 2015 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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

VILLAGE OF CALEDONIA, OHIO
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Fund Balance

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

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.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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.

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.

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,550	\$130,927	\$61,377
Special Revenue	23,607	26,004	2,397
Capital Projects	0	0	0
Enterprise	184,870	201,223	16,353
Total	\$278,027	\$358,154	\$80,127

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$233,750	\$101,705	\$132,045
Special Revenue	81,700	23,872	57,828
Capital Projects	16,055	16,055	0
Enterprise	347,162	230,275	116,887
Total	\$678,667	\$371,907	\$306,760

VILLAGE OF CALEDONIA, OHIO
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

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:

	2015
Demand deposits	<u>\$381,866</u>
Total deposits	<u>381,866</u>
STAR Ohio	221,344
Total investments	<u>221,344</u>
Total deposits and investments	<u><u>\$603,210</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

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.

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

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 6 - Risk Management

Risk Pool Membership

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.

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.

	<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.

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Two 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, 2015.

Social Security

Several Village 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, 2015.

Note 8 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (Sewer Plant Construction)	\$ 37,491	4.04%
Ohio Public Works Commission (Sewer Plant Construction)	5,000	0.00%
Ohio Public Works Commission (Old Clark Ditch Drain Replacement)	7,648	0.00%
Sanitary Sewer Mortgage Revenue Bonds (Sewer Plant Construction)	659,000	5.00%
Ohio Public Works Commission (Main Street Drain Replacement)	42,568	0.00%
Total	<u>\$ 751,707</u>	

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

The Ohio Public Works Commission (OPWC) sewer loan relates to the sewer plant construction project. The loan is being repaid in semiannual installments of \$5,000, interest free, over 20 years.

The Village's Old Clark Ditch storm drain project exceeded the OPWC grant amount and thus a loan amount of \$33,390 became effective in 2000. The OPWC loan relating to the storm drain construction will be repaid in semiannual installments of \$850, interest free, over 20 years.

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

**VILLAGE OF CALEDONIA, OHIO
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 8 – Debt (Continued)

The OPWC Main Street storm drain loan relates to the replacement of three catch basins on Main and South Streets in the Village. The Village will repay the loan in semiannual installments of \$835, interest free, over 30 years.

Amortization

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

Year ending December 31:	OWDA Loan	OPWC Sewer Loan	OPWC Old Clark Ditch Drain Loan	Sanitary Sewer Mortgage Revenue Bonds	OPWC Main Street Stom Drain Loan
2016	\$38,335	\$5,000	\$1,700	\$49,950	\$1,669
2017	0	0	1,700	50,100	1,669
2018	0	0	1,700	50,200	1,669
2019	0	0	1,700	50,250	1,669
2020	0	0	850	49,250	1,669
2021-2025	0	0	0	250,700	8,347
2026-2030	0	0	0	250,350	8,347
2031-2035	0	0	0	250,750	8,347
2036-2040	0	0	0	100,050	8,347
2041-2045	0	0	0	0	835
Total	<u>\$38,335</u>	<u>\$5,000</u>	<u>\$7,650</u>	<u>\$1,101,600</u>	<u>\$42,567</u>

Note 9 – Jointly Governed Organizations

First Consolidated Fire District

Canaan, Claridon, Scott, and Tully Townships and the Village of Caledonia participate in the First Consolidated Fire District (District). The Townships and Village each elect one of the five members of the District's Board of Trustees. The District provides fire protection, fire prevention, Emergency Medical Services (EMS), Hazardous Material Response, and water rescue.



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 Caledonia
Marion County
110 E. Marion St.
Marion, Ohio 43302

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 Caledonia, Marion County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated July 24, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

July 24, 2017



Dave Yost • Auditor of State

VILLAGE OF CALEDONIA

MARION COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 22, 2017