

Village of Caldwell
Audited Financial Statements

December 31, 2008



Mary Taylor, CPA

Auditor of State

Village Council
Village of Caldwell
215 West Street
Caldwell, Ohio 43724

We have reviewed the *Independent Auditor's Report* of the Village of Caldwell, Noble County, prepared by Rea & Associates, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Caldwell is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 14, 2009

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**VILLAGE OF CALDWELL
NOBLE COUNTY**

DECEMBER 31, 2008

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June 12, 2009

Mayor and Members of Council
Village of Caldwell
215 West Street
Caldwell, OH 43724

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Caldwell (the "Village") as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to generally accepted accounting principles would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2008. Instead of the funds the accompanying financial statements present for 2008, the revisions require presenting the entity wide statements and also to present its larger (i.e. major) funds separately for 2008. While the Village does not follow generally accepted accounting principles, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new generally accepted accounting principles presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use generally accepted accounting principles to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Mayor and Members of Council
Village of Caldwell
Independent Auditor's Report
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Caldwell, Noble County, as of December 31, 2008 and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2008. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2009, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

VILLAGE OF CALDWELL
NOBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Special Revenue	Capital Projects	Permanent	(Memorandum Only) Total
CASH RECEIPTS:					
Property Tax and Other Local Taxes	\$ 35,418	\$ 0	\$ 0	\$ 0	\$ 35,418
Intergovernmental	73,904	101,577	966,806	0	1,142,287
Special Assessments	812	0	0	0	812
Charges For Services	0	8,563	0	350	8,913
Fines, Licenses and Permits	1,650	0	0	0	1,650
Earnings on Investments	187,906	1,140	0	2,985	192,031
Miscellaneous	3,000	991	0	0	3,991
Total Cash Receipts	302,690	112,271	966,806	3,335	1,385,102
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	117,922	1,500	0	0	119,422
Public Health Services	0	3,705	0	0	3,705
Leisure Time Activities	412	0	0	0	412
Community Environment	1,000	0	0	0	1,000
Transportation	124,209	49,192	0	0	173,401
General Government	88,752	0	0	0	88,752
Capital Outlay	0	0	1,567,830	0	1,567,830
Total Cash Disbursements	332,295	54,397	1,567,830	0	1,954,522
Total Cash Receipts Over (Under) Cash Disbursements	(29,605)	57,874	(601,024)	3,335	(569,420)
OTHER FINANCING RECEIPTS (DISBURSEMENTS):					
Proceeds from Loans	0	0	622,954	0	622,954
Total Other Financing Receipts (Disbursements)	0	0	622,954	0	622,954
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(29,605)	57,874	21,930	3,335	53,534
FUND CASH BALANCES, January 1, 2008	1,605,236	270,232	0	99,601	1,975,069
FUND CASH BALANCES, December 31, 2008	\$ 1,575,631	\$ 328,106	\$ 21,930	\$ 102,936	\$ 2,028,603
RESERVE FOR ENCUMBRANCES	\$ 1,029	\$ 0	\$ 0	\$ 0	\$ 1,029

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CALDWELL
NOBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 1,967,240
Total Operating Cash Receipts	1,967,240
OPERATING CASH DISBURSEMENTS:	
Personal Services	538,584
Employee Fringe Benefits	134,459
Contractual Services	172,642
Material and Supplies	317,062
Other	5,350
Total Operating Cash Disbursements	1,168,097
Operating Income	799,143
NON-OPERATING CASH RECEIPTS:	
Intergovernmental	220
Miscellaneous Receipts	14,158
Total Non-Operating Cash Receipts	14,378
NON-OPERATING CASH DISBURSEMENTS:	
Capital Outlay	513,821
Debt Service:	
Principal Retirement	412,715
Interest and Fiscal Charges	98,807
Total Non-Operating Cash Disbursements	1,025,343
Net Cash Receipts Over Cash Disbursements	(211,822)
FUND CASH BALANCES, January 1, 2008	2,660,523
FUND CASH BALANCES, December 31, 2008	\$ 2,448,701
RESERVE FOR ENCUMBRANCES, December 31	\$ 2,169

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY

Notes to the Financial Statements
December 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Caldwell, Noble County, Ohio (the Village), as a body corporate and politic. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four year term and votes only to break a tie. The Village provides general government services, water and sewer utilities, and maintenance of Village roads, park operations, and police services. The Village has a fire contract with the Volunteer Fire Department.

The Village of Caldwell, Noble County, Ohio also has a 3-member Board of Public Affairs elected at large for four year terms. This Board oversees the Business Funds of Water and Sewer.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the accounting basis the Audit of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. The Village's money market mutual funds and the mortgage backed securities are recorded at the cost amount reported by Citigroup Smith Barney at December 31, 2008.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY

Notes to the Financial Statements
December 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund – This fund receives gas tax and motor vehicle tax money for construction, maintaining and repairing Village streets.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital Project Fund:

GAC Water Treatment Fund – This fund was established to keep record of the monies received and expended related to the GAC Water Treatment project.

Caldwell Dam Project Fund – This fund was established to keep record of the monies received and expended related to the Caldwell Dam Project fund

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

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

5. Enterprise Funds

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

Water Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY

Notes to the Financial Statements
December 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the office, department, or division level of control, and within each, personal services, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY**

Notes to the Financial Statements
December 31, 2008

NOTE 2: EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash as December 31 was as follows:

	2008
Demand deposits	\$ 1,495,147
Savings Accounts	61,484
Certificates of deposit	1,390,000
Total deposits	2,946,631
Money Market Account	53,474
Mortgaged Back Securities	1,477,199
Total Investments	1,530,673
Total Deposits and Investments	\$ 4,477,304

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

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

NOTE 3: RESTATEMENT

During 2007, the Village presented their financial statements under the GASB 34 cash basis statement. In 2008 the Village is presenting the financial statements using accounting practices the Auditor of State prescribes or permits.

The following is the reclassification of the fund balances as of December 31, 2007 from the GASB 34 method permitted by the Auditor of State.

	Governmental Activities	General Fund	Special Revenue Funds	Capital Project Funds	Permanent Fund
Fund Balance	\$ (1,975,069)	\$ 1,605,236	\$ 270,232	\$ 0	\$ 99,601

The Business Type Activities Net Assets are the same as the Proprietary-Enterprise Funds.

VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY

Notes to the Financial Statements
December 31, 2008

NOTE 4: BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 is as follows:

<u>2008 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	Budgeted Receipts	Actual Receipts	Variance
General	\$ 276,401	\$ 302,690	\$ 26,289
Special Revenue	119,095	112,271	(6,824)
Capital Projects	2,096,617	1,589,760	(506,857)
Permanent	4,550	3,335	(1,215)
Enterprise	1,979,500	1,981,618	2,118
Total	<u>\$ 4,476,163</u>	<u>\$ 3,989,674</u>	<u>\$ (486,489)</u>

<u>2008 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 446,540	\$ 333,324	\$ 113,216
Special Revenue	239,475	54,397	185,078
Capital Projects	1,838,940	1,567,830	271,110
Permanent	12,300	0	12,300
Enterprise	3,399,357	2,195,609	1,203,748
Total	<u>\$ 5,936,612</u>	<u>\$ 4,151,160</u>	<u>\$ 1,785,452</u>

Contrary to Ohio Law, appropriations exceeded estimated resources by \$13,990 in the Water Revenue Fund and by \$308,005 in the Waterworks Construction Fund.

NOTE 5: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY

Notes to the Financial Statements
December 31, 2008

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

NOTE 6: DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Cap Mark Mortgage Revenue Bond	\$ 915,600	5.00%
Ohio Public Works - Sewer Replacement	92,611	2.00%
Ohio Public Works - WWTP Headworks Project	131,198	0.00%
Ohio Public Works - Sunset Drive Sewer Project	13,125	0.00%
Ohio Public Works - GAC Water Treatment Project	300,000	4.12%
Ohio Water Development Authority - Sewer Plant	259,618	2.00%
Ohio Water Development Authority Loan - Sewer Prison	1,214,286	2.20%
Ohio Water Development Authority Loan - Sewer Lines	290,406	2.20%
Ohio Water Development Authority Loan - Water Treatment	316,638	1.50%
Total	<u>\$ 3,533,482</u>	

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

The Ohio Water Development Authority (OWDA) loans for Sewer-Prison and Sewer Lines were used to expand the sewer system facility and provide lines for sewer services to the prison. The OWDA loans for the sewer plant were used for improvements to the Village's utility systems. The OWDA Loan for Water Treatment was to make improvements to the Village's water treatment plant. The water treatment loan was approved for \$326,000 of which 325,314 has been drawn down as of December 31, 2008; however, the Village has already started paying on the loan based upon the amortization schedule which is based on the entire approved loan amount and the schedule below will reflect this amount whereas the amount listed in the table above reflects the current balance of the loan. The OWDA loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY

Notes to the Financial Statements
December 31, 2008

NOTE 6: DEBT (Continued)

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

	OPWC Loans		OWDA Loans	
Year	Principal	Interest	Principal	Interest
2009	\$28,036	\$1,828	\$355,063	\$41,213
2010	28,132	1,732	274,154	33,827
2011	28,231	9,101	190,860	28,828
2012	28,331	1,534	195,019	24,670
2013	28,433	1,432	199,268	20,422
2014-2018	143,771	5,552	644,238	41,918
2019-2023	146,651	2,309	52,698	14,973
2024-2028	105,349	195	56,789	10,886
2028-2033	0	0	61,195	6,479
2034-2038	0	0	52,356	1,782
	\$536,934	\$23,683	\$2,081,640	\$224,998
	Mortgage Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2009	\$54,000	\$45,780	\$437,099	\$88,821
2010	57,000	43,080	359,286	78,639
2011	60,000	40,230	279,091	78,159
2012	62,000	37,230	285,350	63,434
2013	66,000	28,730	293,701	50,584
2014-2018	378,000	117,850	1,166,009	165,320
2019-2023	238,600	23,010	437,949	40,292
2024-2028	0	0	162,138	11,081
2028-2033	0	0	61,195	6,479
2034-2038	0	0	52,356	1,782
	\$915,600	\$335,910	\$3,534,174	\$584,591

VILLAGE OF CALDWELL, OHIO
NOBLE COUNTY

Notes to the Financial Statements
December 31, 2008

NOTE 7: RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OPFPF). Other full-time employees belong to the Ohio Public Employees' Retirement System (OPERS). OPFPF and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008, OPFPF participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10.0 percent of their wages. The Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2008 to the Ohio Public Employees Retirement System (OPERS).

NOTE 8: RISK MANAGEMENT

Commercial Insurance

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village contracts with The Ohio Plan through Crum Richards Insurance Agency, Inc. for property general liability insurance which includes boiler machinery coverage.

Vehicles are covered by The Ohio Plan and have a \$100 deductible. Automobile liability coverage has a \$2,000,000 limit for collision, and \$2,000,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs. The Village is in a group rating system through Gates McDonald.

The Village provides life insurance, accidental death, and dismemberment insurance to its employees. The Village also provides Health, Dental and Vision Insurance for their employees. The employees pay 10% of the cost and the Village picks up the 90%. Premiums are paid from the same funds that pay the employees' salaries.

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

NOTE 9: CONTINGENCIES

The Village received federal assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, and such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2008.



122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 12, 2009

Mayor and Members of Council
Village of Caldwell
215 West Street
Caldwell, OH 43724

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Village of Caldwell (the Village) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 12, 2009, wherein we noted the Village follows accounting principles the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected in the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (2008-001) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the item described above to be material weakness.

We noted certain matters that we reported to management of the Village in a separate letter dated June 12, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2008-002.

We noted certain matters that we reported to management of the Village in a separate letter dated June 12, 2009.

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

This report is intended solely for the information and use of the Mayor, Village Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Hea & Associates, Inc.



122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 12, 2009

Mayor and Members of Council
Village of Caldwell
215 West Street
Caldwell, OH 43724

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Village of Caldwell (the "Village") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Caldwell complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, Village Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.

.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	CDBG—14.228 Watershed Rehabilitation— 10.916
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES (Continued)
DECEMBER 31, 2008**

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

Material Weakness

FINDING NUMBER	2008 – 001
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Recording Transactions for on-behalf of payments made by OWDA and OPWC

The Village does not have a process in place that will ensure the correct recording of all payments that are being made to vendors on the Village's behalf from OWDA and OPWC. We noted that the Village was involved with OPWC for the GAC Water Treatment Plant and OWDA for a project related to Sewer Lines. Both projects were set up as where OWDA and OPWC would pay the vendor on the Village's behalf and the Village then has a loan with the agency for those costs.

In accordance with Auditor of State Technical Bulletin 2000-008, since these payments are being made on the Village's behalf they should be recorded as memo receipts and disbursements in the year the on-behalf-of disbursements are made. Since the Village is responsible for repaying these costs to OWDA and OPWC the monies should be receipted as Proceeds of Loans. As of December 31, 2008, OWDA had paid \$325,315 towards the project and OPWC had paid \$297,638. We did note the Village recorded \$106,013 of the OWDA Loan and \$281,605 of the OPWC monies; however, they were improperly recorded as Intergovernmental Revenue. The audited financial statements reflect the accurate amounts.

We recommend that the Village review all agreements with OWDA and OPWC to determine if agreements with these entities are grants or loans so the money associated with these projects can be properly classified. We also recommend the Village reconcile the accounts associated with the OWDA and OPWC projects to information received from OWDA and OPWC to ensure that all on-behalf-of payments are being recorded.

Village's Response:

The Village has implemented a procedure to address these types of transactions to insure they are recorded.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES (Continued)
DECEMBER 31, 2008**

Non-compliance Citations

FINDING NUMBER	2008 – 002
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Ohio Revised Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated resources. As of December 31, 2008, appropriations exceeded estimated resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Water Revenue	\$ 780,545	\$ 794,535	\$ (13,990)
Waterworks Construction	843,673	1,151,678	(308,005)

We recommend the Village Council and Clerk/Treasurer monitor the funds to ensure that appropriations do not exceed estimated resources.

Village’s Response:

The Village has implemented a procedure to address these types of transactions to insure they are recorded.

**Village of Caldwell
Noble County**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. Department of Agriculture</u>			
<i>Passed through the Ohio Natural Resources Conservation Service</i>			
Watershed Rehabilitation Program	50-5E34-08-026	10.916	\$ 388,239
Total U.S. Department of Agriculture			<u>388,239</u>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Ohio Department of Development</i>			
Community Development Block Grants/State Program			
Small Cities Program	C-W-06-305-1	14.228	<u>500,000</u>
Total U.S. Department of Housing and Urban Development			<u>500,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 888,239</u></u>

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards in a summary of the activity of the Village's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-01	The Village does not have a process in place that will ensure the recording of all grant revenues and expenses for Issue 2 projects.	No	Not Corrected; Will Repeat at Finding 2008-001
2007-02	The Village does not have a process in place to reconcile the investment cost basis on the Smith Barney Investment Account to the Village's financial system records.	Yes	



Mary Taylor, CPA
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
JULY 28, 2009