



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CALEDONIA
MARION COUNTY

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Caledonia, Village Council
Marion County
110 East Marion Street
Caledonia, Ohio 43314

We have audited the accompanying financial statements of the Village of Caledonia, Marion County, Ohio, (the Village) as of and for the year ended December 31, 2001. 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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JIM PETRO
Auditor of State

July 8, 2002

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**VILLAGE OF CALEDONIA
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$48,473	\$4,633	\$3,388	\$56,494
Intergovernmental Receipts	42,361	28,129	429	70,919
Charges for Services	4,625	0	0	4,625
Fines, Licenses, and Permits	3,913	0	0	3,913
Earnings on Investments	10,665	207	0	10,872
Miscellaneous	5,313	0	0	5,313
	<u>115,350</u>	<u>32,969</u>	<u>3,817</u>	<u>152,136</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	9,794	0	0	9,794
Leisure Time Activities	7,970	0	0	7,970
Community Environment	150	0	0	150
Transportation	7,912	25,740	0	33,652
General Government	36,534	0	0	36,534
Capital Outlay	0	0	5,400	5,400
	<u>62,360</u>	<u>25,740</u>	<u>5,400</u>	<u>93,500</u>
Total Cash Disbursements	<u>62,360</u>	<u>25,740</u>	<u>5,400</u>	<u>93,500</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>52,990</u>	<u>7,229</u>	<u>(1,583)</u>	<u>58,636</u>
Other Financing Receipts and (Disbursements):				
Advances-In	500	0	500	1,000
Transfers-Out	(10,103)	0	0	(10,103)
Advances-Out	(29,500)	0	(500)	(30,000)
	<u>(39,103)</u>	<u>0</u>	<u>0</u>	<u>(39,103)</u>
Total Other Financing Receipts/(Disbursements)	<u>(39,103)</u>	<u>0</u>	<u>0</u>	<u>(39,103)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,887	7,229	(1,583)	19,533
Fund Cash Balances, January 1	<u>28,695</u>	<u>14,714</u>	<u>5,179</u>	<u>48,588</u>
Fund Cash Balances, December 31	<u>\$42,582</u>	<u>\$21,943</u>	<u>\$3,596</u>	<u>\$68,121</u>

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$142,249
Total Operating Cash Receipts	142,249
Operating Cash Disbursements:	
Personal Services	2,811
Fringe Benefits	210
Contractual Services	53,670
Supplies and Materials	6,560
Capital Outlay	2,738
Total Operating Cash Disbursements	65,989
Operating Income/(Loss)	76,260
Non-Operating Cash Receipts:	
Special Assessments	38,293
Interest	517
Total Non-Operating Cash Receipts	38,810
Non-Operating Cash Disbursements:	
Debt Service- Principal	40,274
Debt Service- Interest	59,903
Total Non-Operating Cash Disbursements	100,177
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	14,893
Transfers-In	10,103
Advances-In	29,000
Net Receipts Over/(Under) Disbursements	53,996
Fund Cash Balances, January 1	350,547
Fund Cash Balances, December 31	\$404,543

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money Market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Other Capital Project Fund – This fund receives tax monies which are used for the maintenance of the Village Hall.

4. Enterprise Funds

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

Sanitary Sewer Revenue Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Enterprise Debt Service Fund – This fund accumulates monies transferred from the Sanitary Sewer Revenue Fund to pay bond principal and interest amounts as they become due, as required by the amortization schedules.

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 fund, program and object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 budgetary activity appears in Note 3.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

Demand deposits	\$292,099
STAR Ohio	180,565
Total deposits and investments	\$472,664

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,376	\$115,350	\$7,974
Special Revenue	28,921	32,969	4,048
Capital Projects	3,863	3,817	(46)
Enterprise	242,973	246,462	3,489
Total	\$383,133	\$398,598	\$15,465

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$135,953	\$72,463	\$63,490
Special Revenue	38,900	25,740	13,160
Capital Projects	8,600	5,400	3,200
Enterprise	288,878	221,466	67,412
Total	\$472,331	\$325,069	\$147,262

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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.

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

5. DEBT

Debt outstanding at December 31 follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan (1997)	\$431,382	4.04%
Ohio Public Works Commission (Sewer) (2000)	145,000	0.00%
Ohio Public Works Commission (Drains) (2000)	31,441	0.00%
Sanitary Sewer System Mort. Bonds (1997)	829,000	5.00%
Total	\$1,436,823	

The Ohio Water Development Authority (OWDA) 1997 loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$526,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$19,314, including interest, over 20 years.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. DEBT (Continued)

The Ohio Public Works Commission (OPWC) 2000 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 storm sewer project exceeded the OPWC grant amount and thus a loan amount of \$33,990 became effective in 2000. The loan, relating to storm drain construction, will be repaid in semiannual installments of \$850, interest-free, over 20 years.

The Sanitary Sewer System Mortgage Revenue Bonds 1997 relate to the sewer plant construction. The bonds were issued on behalf of the Village by the United States Department of Agriculture-Rural Economic Community Development Services as a loan reimbursement at the completion of the construction project. The bonds will be repaid in annual installments ranging from \$40,523 to \$50,800, including interest, over 40 years.

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

	OWDA Loan	OPWC Loan (Sewer)	OPWC Loan (Drains)	Sanitary Sewer Rev. Bonds
Year ending December 31:				
2002	38,628	10,000	1,700	50,450
2003	38,628	10,000	1,700	50,000
2004	38,628	10,000	1,700	49,550
2005	38,628	10,000	1,700	50,100
2006	38,628	10,000	1,700	50,600
Subsequent	386,280	95,000	22,941	1,552,651
Total	<u>\$579,420</u>	<u>\$145,000</u>	<u>\$31,441</u>	<u>\$1,803,351</u>

6. RETIREMENT SYSTEMS

The Village's employees and officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Caledonia, Village Council
Marion County
110 East Marion Street
Caledonia, Ohio 43314

We have audited the accompanying financial statements of the Village of Caledonia, Marion County, Ohio (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 8, 2002. 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.

Compliance

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 grants, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated July 8, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

July 8, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 6, 2002**