



**Auditor of State
Betty Montgomery**

VILLAGE OF CALDWELL
NOBLE COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Caldwell
Noble County
215 West Street
Caldwell, Ohio 43724

To the Village Council:

We have audited the accompanying financial statements of the Village of Caldwell, Noble County (the Village), as of and for the year ended December 31, 2003. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As described 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 and reserves for encumbrances of the Village of Caldwell, Noble County, as of December 31, 2003 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 19, 2004 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.

Village of Caldwell
Noble County
Independent Accountants' Report
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 19, 2004

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, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$34,868	\$4,866	\$39,734
Special Assessments	6,174		6,174
Intergovernmental Receipts	58,103	95,808	153,911
Charges for Services	700	12,613	13,313
Fines, Licenses, and Permits	2,205		2,205
Earnings on Investments	168,858	528	169,386
Miscellaneous	3,139	5,616	8,755
	<u>274,047</u>	<u>119,431</u>	<u>393,478</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	130,935	1,464	132,399
Public Health Services		1,986	1,986
Leisure Time Activities	1,225		1,225
Community Environment	6,420	670	7,090
Transportation	119,839	83,897	203,736
General Government	87,086		87,086
Capital Outlay		10,975	10,975
	<u>345,505</u>	<u>98,992</u>	<u>444,497</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(71,458)</u>	<u>20,439</u>	<u>(51,019)</u>
Restated Fund Cash Balances, January 1 (See Note 3)	<u>2,103,078</u>	<u>212,135</u>	<u>2,315,213</u>
Fund Cash Balances, December 31	<u>\$2,031,620</u>	<u>\$232,574</u>	<u>\$2,264,194</u>
Reserves for Encumbrances, December 31	<u>\$3,742</u>	<u>\$1,259</u>	<u>\$5,001</u>

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

VILLAGE OF CALDWELL
NOBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$1,784,647	\$900	\$	\$1,785,547
Earnings on Investments		2,483		2,483
Total Operating Cash Receipts	<u>1,784,647</u>	<u>3,383</u>	<u>0</u>	<u>1,788,030</u>
Operating Cash Disbursements:				
Personal Services	431,845			431,845
Fringe Benefits	124,796			124,796
Contractual Services	216,727			216,727
Supplies and Materials	252,325			252,325
Capital Outlay	6,725	100		6,825
Miscellaneous	443,275			443,275
Total Operating Cash Disbursements	<u>1,475,693</u>	<u>100</u>	<u>0</u>	<u>1,475,793</u>
Operating Income/(Loss)	<u>308,954</u>	<u>3,283</u>	<u>0</u>	<u>312,237</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	288,156			288,156
Miscellaneous Receipts	3,784			3,784
Total Non-Operating Cash Receipts	<u>291,940</u>	<u>0</u>	<u>0</u>	<u>291,940</u>
Non-Operating Cash Disbursements:				
Debt Service:				
Redemption of Principal	351,338			351,338
Interest and Other Fiscal Charges	137,735			137,735
Total Non-Operating Cash Disbursements	<u>489,073</u>	<u>0</u>	<u>0</u>	<u>489,073</u>
Net Cash Receipts Over/(Under) Cash Disbursements	111,821	3,283	0	115,104
Fund Cash Balances, January 1	<u>2,543,311</u>	<u>89,767</u>	<u>383</u>	<u>2,633,461</u>
Fund Cash Balances, December 31	<u>\$2,655,132</u>	<u>\$93,050</u>	<u>\$383</u>	<u>\$2,748,565</u>
Reserves for Encumbrances, December 31	<u>\$22,013</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,013</u>

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

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Caldwell, Noble County (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 water and sewer utilities, park operations, and police services.

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 included in fund cash balances. 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 and disbursements, respectively.

Certificates of deposit and mortgage-backed securities are valued at cost. Money market mutual funds 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 Funds

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 - This fund receives gasoline tax and motor vehicle tax money to pay for constructing, maintaining and repairing Village streets.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Federal Fund - This fund receives funds from the Federal Emergency Management Association for emergency situations relating to weather.

3. 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:

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

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

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

4. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of trust, the fund is classified as a Nonexpendable Trust Fund. The Village had the following significant Fiduciary Fund:

Cemetery Perpetual Care Fund – This fund receives receipts from the sale of cemetery lots for maintenance and upkeep of the Village cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control 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.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 budgetary activity appears in Note 4.

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. Unpaid Vacation and Sick 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	\$1,486,674
Passbook Savings	8,580
Cemetery Endowment Savings	3,800
Certificates of Deposit	<u>1,840,000</u>
Total deposits	<u>3,339,054</u>
Money market mutual fund	5,109
Mortgage-backed securities	<u>1,668,596</u>
Total investments	<u>\$1,673,705</u>
Total deposits and investments	<u><u>\$5,012,759</u></u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities pledged by the financial institution to the Village.

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. The market value of these securities at December 31, 2003 is \$1,566,176.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. RESTATEMENT OF BEGINNING FUND BALANCE

An adjustment has resulted in a fund balance restatement as of January 1, 2003. The beginning audited fund balance in the General Fund of \$2,122,217 has been decreased by \$19,139 to a restated cash fund balance amount of \$2,103,078. This change in the cash fund balance is the result of errors in an audit adjustment from prior audit.

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,776	\$274,047	\$11,271
Special Revenue	118,822	119,431	609
Enterprise	2,729,404	2,076,587	(652,817)
Fiduciary	4,600	3,383	(1,217)
Total	\$3,115,602	\$2,473,448	(\$642,154)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$455,586	\$349,247	\$106,339
Special Revenue	211,775	100,251	111,524
Enterprise	3,112,148	1,986,779	1,125,369
Fiduciary	5,250	100	5,150
Total	\$3,784,759	\$2,436,377	\$1,348,382

5. 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 payment, 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.

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

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003, was as follows:

	Principal	Interest Rate
OWDA Loan - Sewer-Plant	\$1,071,295	2.00%
OWDA Loan - Sewer-Prison	1,872,093	2.20%
OWDA Loan - Sewer Lines	447,725	2.20%
USDA Loan - Water Revenue	23,819	3.23/3.25%
GMAC-Mortgage Revenue Bonds	1,150,600	5.00%
Total	\$4,565,532	

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 loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

GMAC-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 United States Department of Agriculture (USDA) loans and OWDA loans for Sewer-Plant were used for improvements to the Village's utility systems. The loans are collateralized by sewer and water receipts. The Village has agreed to set utility rates sufficient to cover OWDA and USDA debt service requirements.

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

	USDA Loan	GMAC Loan Mortgage Revenue Bond	OWDA Loan (Sewer Plant)	OWDA Loan (Sewer Prison)	OWDA Loan (Sewer Lines)
Year ending December 31					
2004	\$6,800	\$ 100,530	\$88,295	\$83,183	\$19,894
2005	6,800	99,380	176,589	166,366	39,788
2006	6,800	100,180	176,589	166,366	39,788
2007	4,861	99,830	176,589	166,366	39,788
2008		100,380	176,589	166,366	39,788
2009-2013		499,450	353,178	831,830	198,940
2014-2018		495,850		582,281	139,258
2019-2021		261,610			
Total	\$25,261	\$1,757,210	\$1,147,829	\$2,162,758	\$517,244

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. RETIREMENT SYSTEM (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, members of OP&F contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Village contracts with Westfield Companies for property and general liability insurance, which includes boiler machinery coverage.

Vehicles are covered by Westfield Companies and have a \$500 deductible. Automobile liability coverage has a \$1,000,000 limit for collision, and a \$1,000,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverages in any of the past three years.

The Village pays the State Worker' Compensation System a premium based on the rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village provides life insurance, accidental death, and dismemberment insurance to its employees.

The Village contracts with the Health Plan of the Upper Ohio Valley for employee hospitalization insurance. The Village pays for individual coverage of life, health, dental and vision. 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 coverages obtained are in accordance with FEMA regulations needed for any reimbursement claims that may occur in the future.



**Auditor of State
Betty Montgomery**

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

Village of Caldwell
Noble County
215 West Street
Caldwell, Ohio 43724

To the Village Council:

We have audited the accompanying financial statements of the Village of Caldwell, Noble County, Ohio (the Village), as of and for the year ended December 31, 2003, and have issued our report thereon dated July 19, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 19, 2004.

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. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 19, 2004.

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Village of Caldwell
Noble County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, the audit committee, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 19, 2004



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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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
AUGUST 31, 2004**