

VILLAGE OF CALDWELL



**AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st
Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Mayor and Members of Council
Village of Caldwell
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, 2000 to December 31, 2000. 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.

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.

JIM PETRO
Auditor of State

June 30, 2001

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**VILLAGE OF CALDWELL
NOBLE COUNTY**

DECEMBER 31, 2000

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 26, 2001

Mayor and Members of Council
Village of Caldwell
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, 2000, 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 generally accepted auditing standards 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 cash balances of the Village of Caldwell as of December 31, 2000, and the revenues it received and expenditures it paid, and budgeted receipts, appropriations, and encumbrances for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 26, 2001 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.

Rea & Associates, Inc.

VILLAGE OF CALDWELL
NOBLE COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS, AND
FUND CASH BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 2000

CASH AND INVESTMENTS \$ 4,797,014

CASH BALANCES BY FUND TYPE

GOVERNMENT FUNDS:

General Fund	\$ 1,945,306
Special Revenue Funds	156,795
Capital Projects Funds	0

PROPRIETARY FUNDS:

Enterprise Funds	2,609,946
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FIDUCIARY FUNDS:

Nonexpendable Trust Funds	84,584
Agency Funds	<u>383</u>

Total all funds \$ 4,797,014

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

VILLAGE OF CALDWELL
NOBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
RECEIPTS:				
Taxes	\$ 34,118	\$ 4,973	\$ 0	\$ 39,091
Intergovernmental revenue	94,602	69,250	94,548	258,400
Special assessments	802	0	0	802
Charges for services	700	21,426	0	22,126
Fines, licenses and permits	5,442	0	0	5,442
Interest	229,866	2,103	0	231,969
Miscellaneous	24,818	624	0	25,442
	390,348	98,376	94,548	583,272
DISBURSEMENTS:				
Current:				
Security of persons	114,870	1,718	0	116,588
Public health services	0	1,050	0	1,050
Leisure time activities	936	0	0	936
Community Environment	6,583	5,164	0	11,747
Transportation	111,677	56,876	0	168,553
General government	79,388	0	0	79,388
Capital outlay	0	24,875	107,092	131,967
	313,454	89,683	107,092	510,229
<i>Excess of receipts over (under) disbursements</i>	76,894	8,693	(12,544)	73,043
FUND CASH BALANCES, January 1	1,868,412	148,102	12,544	2,029,058
FUND CASH BALANCES, December 31	\$ 1,945,306	\$ 156,795	\$ 0	\$ 2,102,101

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

VILLAGE OF CALDWELL
NOBLE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary</u>	<u>Fiduciary Fund Types</u>		Total (Memorandum Only)
	Enterprise Funds	Nonexpendable Trust Funds	Agency Funds	
OPERATING RECEIPTS:				
Charges for services	\$ 1,782,936	\$ 650	\$ 0	\$ 1,783,586
Other/Miscellaneous	480	3,821	0	4,301
<i>Total operating receipts</i>	<u>1,783,416</u>	<u>4,471</u>	<u>0</u>	<u>1,787,887</u>
OPERATING DISBURSEMENTS:				
Personal services	442,401	0	0	442,401
Contractual services	106,061	0	0	106,061
Material and supplies	264,260	0	0	264,260
Capital outlay	325,269	7,800	0	333,069
Capital outlay	4,958	0	0	4,958
<i>Total operating disbursements</i>	<u>1,142,949</u>	<u>7,800</u>	<u>0</u>	<u>1,150,749</u>
<i>Operating income</i>	640,467	(3,329)	0	637,138
NON-OPERATING DISBURSEMENTS:				
Debt service:				
Principal retirement	325,393	0	0	325,393
Interest and fiscal charges	163,180	0	0	163,180
<i>Total non-operating disbursements</i>	<u>488,573</u>	<u>0</u>	<u>0</u>	<u>488,573</u>
<i>Net income before transfers</i>	151,894	(3,329)	0	148,565
Transfers-In	125,000	0	0	125,000
Transfers-Out	<u>(125,000)</u>	<u>0</u>	<u>0</u>	<u>(125,000)</u>
<i>Net income</i>	151,894	(3,329)	0	148,565
<i>FUND BALANCES, January 1</i>	<u>2,458,052</u>	<u>87,913</u>	<u>383</u>	<u>2,546,348</u>
<i>FUND BALANCES, December 31</i>	<u>\$ 2,609,946</u>	<u>\$ 84,584</u>	<u>\$ 383</u>	<u>\$ 2,694,913</u>

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

VILLAGE OF CALDWELL
NOBLE COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Types/Funds</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
GOVERNMENTAL FUNDS:			
General Fund	\$ 273,849	\$ 390,348	\$ 116,499
Special Revenue Fund	82,830	98,376	15,546
Capital Project Fund	113,068	94,548	(18,520)
PROPRIETARY FUNDS:			
Enterprise Funds	1,832,000	1,908,416	76,416
FIDUCIARY FUNDS:			
Nonexpendable Trust Funds	<u>3,100</u>	<u>4,471</u>	<u>1,371</u>
<i>Total all funds</i>	<u><u>\$2,304,847</u></u>	<u><u>\$2,496,159</u></u>	<u><u>\$ 191,312</u></u>

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

VILLAGE OF CALDWELL
NOBLE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Types/Funds</u>	<u>Reserve for Encumbrances as of 12/31/1999</u>	<u>Appropriations Year Ended 12/31/2000</u>	<u>Total</u>	<u>Disbursements for the Year Ended 12/31/2000</u>	<u>Reserve for Encumbrances as of 12/31/2000</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
GOVERNMENTAL FUNDS:							
General Fund	\$ 0	\$ 419,562	\$ 419,562	\$ 313,454	\$ 0	\$ 313,454	\$ 106,108
Special Revenue Fund	0	189,100	189,100	89,683	0	89,683	99,417
Capital Project Fund	0	12,544	12,544	107,092	0	107,092	(94,548)
PROPRIETARY FUNDS:							
Enterprise Funds	<u>0</u>	<u>2,066,838</u>	<u>2,066,838</u>	<u>1,756,632</u>	<u>0</u>	<u>1,756,632</u>	<u>310,206</u>
<i>Total all funds</i>	<u><u>\$ 0</u></u>	<u><u>\$ 2,688,044</u></u>	<u><u>\$ 2,688,044</u></u>	<u><u>\$ 2,266,861</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,266,861</u></u>	<u><u>\$ 421,183</u></u>

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

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Caldwell is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council-mayor form of government.

The Village provides the following services: police and fire protection, water and wastewater utilities, recreation, street maintenance, and development.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds

Special revenue funds account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Capital Projects Funds

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

FIDUCIARY FUNDS

Trust and Agency Funds

Trust and agency funds account for assets held by a governmental unit in a trustee capacity for the Village or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Nonexpendable Trust Funds and Agency Funds.

E. BUDGETARY PROCESS

Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year for the subsequent January 1 to December 31 calendar year.

Estimated Resources

The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. BUDGETARY PROCESS (Continued)

Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriation.

Interfund advances are not budgeted. Therefore, budgeted and actual amounts for advances are not referenced in the accompanying budgetary financial statements.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period of January 1 to March 31.

An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as disbursements. Depreciation is not recorded for these fixed assets.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2: EQUITY IN POOLED INVESTMENTS

The Village maintains an investment pool used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments, and Fund Cash Balances" as "Cash Balances by Fund Type."

Legal Requirements

State law requires the classification of monies held by the Village into three categories.

Category 1 consists of "active" monies that are required to be kept in a "cash" or "near-cash" status for immediate use by the Village. Such monies must be maintained either as cash in the Village treasury or in depository accounts payable or withdrawable on demand including negotiable order of withdrawal (NOW) accounts.

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 2: EQUITY IN POOLED INVESTMENTS (Continued)

Category 2 consists of "inactive" monies that are not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" monies that are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. Bonds, notes or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in the eligible institutions applying for interim deposits;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

Deposits

At year-end, the carrying amount of the Village's deposits was \$3,215,210, and the bank balance was \$3,267,776. Of the bank balance \$3,117,776 was covered by federal depository insurance or by collateral held by a third party trustee in the name of the Village. \$150,000 is covered by collateral held by a third party trustee in a pledged security pool, but not in the Village's name.

Investments

The Village's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end.

Category 1 includes investments that are insured or registered or for which the securities are held by the Village or by a qualified third party trustee in the Village's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name.

Category 3 includes insured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Village's name.

<u>Funds with Broker</u>	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
G.N.M.A. Pool	<u>\$ 0</u>	<u>\$ 1,581,804</u>	<u>\$ 0</u>	<u>\$ 1,581,804</u>	<u>\$ 1,576,183</u>

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 2: EQUITY IN POOLED INVESTMENTS (Continued)

The Village invested monies with a broker operating in the State of Ohio. The Village's account is insured by the Securities Investors Protection Corporation.

NOTE 3: PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2000 for Noble County.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the tax year 2000 was \$48.80 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$39.99 per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$43.57 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax year 2000 was \$48.80 per \$1,000 of assessed valuation.

Real property - 1999 valuation:

Residential/Agricultural	\$ 11,423,340
Commercial/Industrial	4,075,930
Public Utility	1,553,860

Tangible Personal Property - 2000 valuation:

General	<u>1,424,000</u>
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Total valuation \$ 18,477,130

The Noble County Treasurer collects property tax on behalf of all taxing districts within the county. The County Auditor periodically remits to the taxing districts their portions of the taxes collected.

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 4: DEBT OBLIGATIONS

Debt outstanding at December 31, 2000 consisted of the following:

Mortgage Revenue Bonds:		
Principal outstanding	\$	1,266,600
Interest rate		6.25/5%
FHLA Loan:		
Principal outstanding	\$	40,823
Interest rate		3.225/3.253%
O.W.D.A. Loan (Sewer-Plant):		
Principal outstanding	\$	1,520,918
Interest rate		2%
O.W.D.A. Loan (Sewer-Prison):		
Principal outstanding	\$	2,233,587
Interest rate		2.2%
O.W.D.A. Loan (Sewer-Lines):		
Principal outstanding	\$	534,179
Interest rate		2.2%

Mortgage revenue bonds are for improvements to utilities and further improvements and extensions for water services. Revenue of the Water Fund has been pledged to repay these debts.

FHLA and OWDA loans were used for improvements to the Village's utility systems. Water and sewer revenues are being used to retire these debts.

The OWDA loans (Sewer-Prison) and (Sewer-Lines) proceeds were used to expand the sewer system facility and lines to provide service for the new prison.

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 4: DEBT OBLIGATIONS (Continued)

The annual requirements to amortize the long-term debt outstanding as of December 31, 2000, including interest payments of \$1,482,704 are as follows:

Year	FHLA Loan	GE Capital Loan Mortgage Revenue Bond	OWDA Loan (Sewer Plant)	OWDA Loan (Sewer Prison)	OWDA Loan (Sewer Lines)	Total
2001	\$ 6,800	\$ 99,280	\$ 176,589	\$ 166,366	\$ 39,788	\$ 488,823
2002	6,800	100,480	176,589	166,366	39,788	490,023
2003	6,800	99,530	176,589	166,366	39,788	489,073
2004	6,800	100,530	176,589	166,366	39,788	490,073
2005	6,800	99,380	176,589	166,366	39,788	488,923
2006-2010	12,259	500,250	794,654	831,828	198,938	2,337,929
2011-2015	0	499,800	0	831,828	198,938	1,530,566
2016-2020	0	486,900	0	166,365	39,786	693,051
2021-2023	0	70,350	0	0	0	70,350
Total	\$ 46,259	\$ 2,056,500	\$ 1,677,599	\$ 2,661,851	\$ 636,602	\$ 7,078,811

NOTE 5: EMPLOYEES' RETIREMENT SYSTEMS

The employees of the Village were covered by the Public Employees' Retirement System of Ohio, a multiple-employer cost sharing plan. The State of Ohio accounts for the activities of the retirement system, and the amount of that fund is not reflected in the accompanying financial statements. As of December 31, 2000, Village employees contributed 8.5 percent of their gross wages. The Village matched this with a contribution equal to 13.55 percent of the employees' gross wages for January through June and a contribution equal to 8.13 percent of the employees' gross wages from July through December.

The firemen and policemen of the Village were covered by the Police and Firemen's Disability and Pension Fund, also accounted for by the State of Ohio and also not reflected in the accompanying financial statements. Policemen and Firemen contributed 10.0 percent of their gross wages to the plan and the Village matched this with a contribution equal to 24.0 percent of Firemen's and 19.5 percent of policemen's gross wages.

The pension contribution requirement for the Village for the year ended December 31, 2000 was \$104,266, which consisted of \$44,703 from employees and \$59,563 from the employer.

VILLAGE OF CALDWELL
NOBLE COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

NOTE 6: RISK MANAGEMENT

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 Personal Service Insurance Company for property and general liability insurance, which includes boiler and machinery coverage.

Vehicles were covered by Personal Service Insurance Company and held a \$250 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 Workers' Compensation System a premium based on a 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 Builders & Contractors Employee Benefit Trust for employee hospitalization insurance. The Village pays up to a maximum of \$190.00 for individual coverage. 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.

NOTE 7: INTERFUND CASH TRANSFERS AND ADVANCES

The Village transferred \$125,000 from the Water Fund to the Waterworks Construction Fund for construction of the Sharon Water Line.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

April 26, 2001

Mayor and Members of Council
Village of Caldwell
Caldwell, OH 43724

Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting 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, 2000, and have issued our report thereon dated April 26, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 26, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated April 26, 2001.

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

Rea & Associates, Inc.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 24, 2001**