



**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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caldwell, Noble County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caldwell, Noble County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2006 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

September 18, 2006

**Village of Caldwell, Noble County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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This discussion and analysis of the Village of Caldwell's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$22,844, or 1 percent, a minor change from the prior year. The funds most affected by the increase in cash and cash equivalents were the Street Fund which increased \$33,254 and the General Fund which decreased \$15,057.

The Village's general receipts are primarily property taxes, local government, local government revenue assistance, and state/federal grants. These receipts represent 61 percent of the general receipts of governmental activities. Total cash received for interest during the year represented 35 percent of the total cash received for governmental activities.

The Village's business-type activities receipts are primarily water and sewer collections. The receipts in the Water Fund decreased approximately 3.14% in 2005 due to a decrease in consumption.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Village of Caldwell, Noble County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property, local government taxes and investments.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets, cemetery and parks. State and federal grants and property and local government taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the services.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's only major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



**Village of Caldwell, Noble County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major enterprise funds are the Water Operating Fund, Sewer Operating Fund, Waterworks Construction and Improvement Fund, Sewer Equipment and Replacement Fund and Sewer Debt Service Fund.

**The Government as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 compared to 2004 on a cash basis:

|                         | <u>Governmental Activities</u> |                    | <u>Business-Type Activities</u> |                    | <u>Total</u>       |                    |
|-------------------------|--------------------------------|--------------------|---------------------------------|--------------------|--------------------|--------------------|
|                         | <u>2005</u>                    | <u>2004</u>        | <u>2005</u>                     | <u>2004</u>        | <u>2005</u>        | <u>2004</u>        |
| <b>Assets</b>           |                                |                    |                                 |                    |                    |                    |
| Cash and Cash Equivaler | \$2,304,983                    | \$2,282,139        | \$2,721,482                     | \$2,566,125        | \$5,026,465        | \$4,848,264        |
| Total Assets            | <u>2,304,983</u>               | <u>2,282,139</u>   | <u>2,721,482</u>                | <u>2,566,125</u>   | <u>5,026,465</u>   | <u>4,848,264</u>   |
| <b>Net Assets</b>       |                                |                    |                                 |                    |                    |                    |
| Restricted for:         |                                |                    |                                 |                    |                    |                    |
| Expendable Trust        | 8,642                          | 6,127              |                                 |                    | 8,642              | 6,127              |
| Non-Expendable Trust    | 83,330                         | 82,880             |                                 |                    | 83,330             | 82,880             |
| Debt Service            | 311,486                        | 276,550            | 540,168                         | 500,767            | 851,654            | 777,317            |
| Unrestricted            | <u>1,901,525</u>               | <u>1,916,582</u>   | <u>2,181,314</u>                | <u>2,065,358</u>   | <u>4,082,839</u>   | <u>3,981,940</u>   |
| Total Net Assets        | <u>\$2,304,983</u>             | <u>\$2,282,139</u> | <u>\$2,721,482</u>              | <u>\$2,566,125</u> | <u>\$5,026,465</u> | <u>\$4,848,264</u> |

As mentioned previously, net assets of governmental activities increased \$ 22,844 or 1 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Unanticipated receipt of inheritance tax valued at \$82,266 gave the General Fund a welcomed increase.
- Increases in salaries for employees of the Village of 50 cent per hour or 3.64% based on the current Village ordinance.

Table 2 reflects the changes in net assets in 2005. Since the Village did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Village of Caldwell, Noble County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

(Table 2)  
**Changes in Net Assets**

|  | Governmental<br>Activities<br>2005 | Business Type<br>Activities<br>2005 | Total<br>2005             |
|--|------------------------------------|-------------------------------------|---------------------------|
| Receipts:  |                                    |                                     |                           |
| Program Receipts:  |                                    |                                     |                           |
| Charges for Services and Sales                                 | \$6,974                            | \$1,768,508                         | \$1,775,482               |
| Operating Grants and Contributions                             | 87,745                             | 0                                   | 87,745                    |
| Total Program Receipts   | <u>94,719</u>                      | <u>1,768,508</u>                    | <u>1,863,227</u>          |
| General Receipts:  |                                    |                                     |                           |
| Property and Other Local Taxes                                 | 44,614                             |                                     | 44,614                    |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 189,971                            | 86,446                              | 276,417                   |
| Interest   | 131,196                            |                                     | 131,196                   |
| Miscellaneous  | 11,522                             | 59,163                              | 70,685                    |
| Total General Receipts   | <u>377,303</u>                     | <u>145,609</u>                      | <u>522,912</u>            |
| Total Receipts   | <u>472,022</u>                     | <u>1,914,117</u>                    | <u>2,386,139</u>          |
| Disbursements:   |                                    |                                     |                           |
| General Government   | 113,424                            |                                     | 113,424                   |
| Security of Persons and Property:                              | 109,765                            |                                     | 109,765                   |
| Public Health Services   | 1,606                              |                                     | 1,606                     |
| Economic Development   | 11,341                             |                                     | 11,341                    |
| Transportation   | 172,319                            |                                     | 172,319                   |
| Water  |                                    | 1,799,483                           | 1,799,483                 |
| Total Disbursements  | <u>408,455</u>                     | <u>1,799,483</u>                    | <u>2,207,938</u>          |
| Excess (Deficiency) Before Transfers                           | 63,567                             | 114,634                             | 178,201                   |
| Transfers  | <u>(40,723)</u>                    | <u>40,723</u>                       | <u>0</u>                  |
| Increase (Decrease) in Net Assets                              | 22,844                             | 155,357                             | 178,201                   |
| Net Assets, January 1, 2005                                    | <u>2,282,139</u>                   | <u>2,566,125</u>                    | <u>4,848,264</u>          |
| Net Assets, December 31, 2005                                  | <u><u>\$2,304,983</u></u>          | <u><u>\$2,721,482</u></u>           | <u><u>\$5,026,465</u></u> |

Program receipts represent only 78 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, local government, local revenue assistance, and water and sewer collections.

General receipts represent 22 percent of the Village's total receipts. State and federal grants, entitlements, and interest make up the majority of the balance of the Village's general receipts (78 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of the Mayor, council, clerk-treasurer, City Hall, Street and Cemetery departments as well as internal services such as payroll and purchasing.

**Village of Caldwell, Noble County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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Security of Persons and Property are the costs of police protection; fire service contracts, fees, and service agreements; street lighting and traffic signals.

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 42 and 27 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 28 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

**Governmental Activities**

|                                  | Total Cost<br>Of Services<br>2005 | Net Cost<br>of Services<br>2005 |
|----------------------------------|-----------------------------------|---------------------------------|
|                                  | 2005                              | 2005                            |
| General Government               | \$113,424                         | (\$112,100)                     |
| Security of Persons and Property | 109,765                           | (109,765)                       |
| Public Health Services           | 1,606                             | 4,044                           |
| Community Environment            | 11,341                            | (11,341)                        |
| Transportation                   | 172,319                           | (84,574)                        |
| Total Expenses                   | \$408,455                         | (\$313,736)                     |

The dependence upon interest earnings and grants & entitlements not restricted to specific programs are apparent as the shortage of program revenues is covered by these general receipts.

**Business-type Activities**

The water operation of the Village of Caldwell is very important, as it supplies nearly all the water in Noble County. The Water Plant has kept in compliance with the new EPA water quality standards on all the new regulations. The Plant did a Pilot Study on Granulated Activated Carbon to see if this could possibly help the satellite systems to comply with the new water quality standards.

The Village sells water to four satellite companies which in turn distribute the water to their customers. The Water Treatment Plant has the permit to install this new system and EPA approval for the GAC Absorption System. The Village is waiting on the funding process.

The Village has 2 main sources of water supplies. One is our Caldwell Lake and the other source is Wolf Run State Park.

The Village also operates a Sewer Treatment plant. In the past year, the plant laid new sewer lines, worked on separating storm water from sewer water and is almost complete on a project at the plant to install an all new Headworks operation.

Net assets of the business-type activities increased by \$155,357, or 6%, during 2005.

**Village of Caldwell, Noble County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2005*  
*Unaudited*

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**The Village's Funds**

Total governmental funds had receipts of \$472,022 and disbursements of \$408,455. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$15,057 as the result of increased costs for salaries and benefits and not achieving anticipated growth in property tax receipts and investment interest returns.

General Fund receipts were less than disbursements by \$58,863 indicating that the General Fund is in a deficit spending situation.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$467,649 while actual disbursements were \$344,781. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$15,057 for 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2005, the Village's outstanding debt included revenue bonds and loans issued for improvements to the Village's water and sewer systems. The outstanding debt with interest amounts to \$4,760,342. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2007; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2006. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. All departments have been asked to reduce their spending for supplies.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Connie Bunting, Clerk-Treasurer, Village of Caldwell, 215 West Street, Caldwell, Ohio 43724.

**Village of Caldwell, Noble County**  
*Statement of Net Assets - Cash Basis*  
 December 31, 2005

|  | Governmental<br>Activities | Business - Type<br>Activities | Total              |
|--|----------------------------|-------------------------------|--------------------|
| <b>Assets</b>                              |                            |                               |                    |
| Equity in Pooled Cash and Cash Equivalents | \$2,304,983                | \$2,721,482                   | \$5,026,465        |
| <i>Total Assets</i>                        | <u>\$2,304,983</u>         | <u>\$2,721,482</u>            | <u>\$5,026,465</u> |
| <b>Net Assets</b>                          |                            |                               |                    |
| Restricted for:                            |                            |                               |                    |
| Debt Service                               | \$311,486                  | \$540,168                     | \$851,654          |
| Permanent Funds                            |                            |                               |                    |
| Expendable                                 | 8,642                      |                               | 8,642              |
| Non-Expendable                             | 83,330                     |                               | 83,330             |
| Other Purposes                             | 0                          |                               | 0                  |
| Unrestricted                               | <u>1,901,525</u>           | <u>2,181,314</u>              | <u>4,082,839</u>   |
| <i>Total Net Assets</i>                    | <u>\$2,304,983</u>         | <u>\$2,721,482</u>            | <u>\$5,026,465</u> |

See accompanying notes to the basic financial statements

**Village of Caldwell, Noble County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

|   | Program Cash Receipts |                                |                                    |                                  | Net (Disbursements) Receipts and Changes in Net Assets |                          |                  |
|---|-----------------------|--------------------------------|------------------------------------|----------------------------------|--|--------------------------|------------------|
|   | Cash Disbursements    | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                                | Business-Type Activities | Total            |
| <b>Governmental Activities</b>                              |                       |                                |                                    |                                  |  |                          |                  |
| General Government  | \$113,424             | \$1,324                        | \$0                                | \$0                              | (\$112,100)  | \$0                      | (\$112,100)      |
| Security of Persons and Property                            | 109,765               | 0                              | 0                                  | 0                                | (109,765)  | 0                        | (109,765)        |
| Public Health Services                                      | 1,606                 | 5,650                          | 0                                  | 0                                | 4,044  | 0                        | 4,044            |
| Community Environment                                       | 11,341                | 0                              | 0                                  | 0                                | (11,341)   | 0                        | (11,341)         |
| Transportation  | 172,319               | 0                              | 87,745                             | 0                                | (84,574)   | 0                        | (84,574)         |
| <i>Total Governmental Activities</i>                        | 408,455               | 6,974                          | 87,745                             | 0                                | (313,736)  | 0                        | (313,736)        |
| <b>Business Type Activity</b>                               |                       |                                |                                    |                                  |  |                          |                  |
| Water Operating   | 584,752               | 559,441                        | 0                                  | 0                                |  | (25,311)                 | (25,311)         |
| Sewer Operating   | 456,123               | 350,692                        |                                    |                                  |  | (105,431)                | (105,431)        |
| Water Works Construction                                    | 45,778                | 144,000                        |                                    |                                  |  | 98,222                   | 98,222           |
| Sewer Construction and Replacement                          | 192,228               | 144,000                        |                                    |                                  |  | (48,228)                 | (48,228)         |
| Sewer Equipment and Replacement                             | 19,623                | 36,000                         |                                    |                                  |  | 16,377                   | 16,377           |
| Water Revenue Bond Retirement                               | 106,180               | 108,000                        |                                    |                                  |  | 1,820                    | 1,820            |
| Sewer Revenue Bond Retirement                               | 386,788               | 420,000                        |                                    |                                  |  | 33,212                   | 33,212           |
| Guaranteed Deposits   | 8,011                 | 6,375                          |                                    |                                  |  | (1,636)                  | (1,636)          |
| <i>Total Business Type Activities</i>                       | 1,799,483             | 1,768,508                      | 0                                  | 0                                | 0  | (30,975)                 | (30,975)         |
| <b>Total</b>  | <b>\$2,207,938</b>    | <b>\$1,775,482</b>             | <b>\$87,745</b>                    | <b>\$0</b>                       | <b>(313,736)</b>                                       | <b>(30,975)</b>          | <b>(344,711)</b> |
| <b>General Receipts</b>                                     |                       |                                |                                    |                                  |  |                          |                  |
| Property Taxes Levied for:                                  |                       |                                |                                    |                                  |  |                          |                  |
| General Purposes  |                       |                                |                                    |                                  | 39,973   |                          | 39,973           |
| Other Taxes   |                       |                                |                                    |                                  | 4,641  |                          | 4,641            |
| Grants and Entitlements not Restricted to Specific Programs |                       |                                |                                    |                                  | 189,971  | 86,446                   | 276,417          |
| Interest  |                       |                                |                                    |                                  | 131,196  | 0                        | 131,196          |
| Miscellaneous   |                       |                                |                                    |                                  | 11,522   | 59,163                   | 70,685           |
| <i>Total General Receipts</i>                               |                       |                                |                                    |                                  | 377,303  | 145,609                  | 522,912          |
| Transfers   |                       |                                |                                    |                                  | (40,723)   | 40,723                   | 0                |
| Total General Receipts and Transfers                        |                       |                                |                                    |                                  | 336,580  | 186,332                  | 522,912          |
| Change in Net Assets  |                       |                                |                                    |                                  | 22,844   | 155,357                  | 178,201          |
| <i>Net Assets Beginning of Year</i>                         |                       |                                |                                    |                                  | 2,282,139  | 2,566,125                | 4,848,264        |
| <i>Net Assets End of Year</i>                               |                       |                                |                                    |                                  | \$2,304,983  | \$2,721,482              | \$5,026,465      |

See accompanying notes to the basic financial statements

**Village of Caldwell, Noble County**  
*Statement of Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2005

|  | <u>General Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>       |
|--|---------------------|---|--------------------|
| <b>Assets</b>                              |                     |   |                    |
| Equity in Pooled Cash and Cash Equivalents | \$1,901,525         | \$403,458                               | \$2,304,983        |
| <i>Total Assets</i>                        | <u>\$1,901,525</u>  | <u>\$403,458</u>                        | <u>\$2,304,983</u> |
| <b>Fund Balances</b>                       |                     |   |                    |
| Reserved:                                  |                     |   |                    |
| Reserved for Encumbrances                  | \$1,390             | \$60                                    | \$1,450            |
| Unreserved:                                |                     |   |                    |
| Undesignated (Deficit), Reported in:       |                     |   |                    |
| General Fund                               | 1,900,135           |   | \$1,900,135        |
| Special Revenue Funds                      |                     | 311,426                                 | \$311,426          |
| Permanent Funds                            |                     | 91,972                                  | \$91,972           |
| <i>Total Fund Balances</i>                 | <u>\$1,901,525</u>  | <u>\$403,458</u>                        | <u>\$2,304,983</u> |

See accompanying notes to the basic financial statements

**Village of Caldwell, Noble County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

|  | General                   | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                           |                                |                                |
| Property and Other Local Taxes                       | \$34,736                  | \$                             | \$34,736                       |
| Charges for Services                                 | 700                       | 5,650                          | 6,350                          |
| Fines, Licenses and Permits                          | 1,324                     |                                | 1,324                          |
| Intergovernmental                                    | 115,723                   | 178,900                        | 294,623                        |
| Interest   | 128,439                   | 2,757                          | 131,196                        |
| Miscellaneous  | 3,606                     | 187                            | 3,793                          |
| <i>Total Receipts</i>                                | <u>284,528</u>            | <u>187,494</u>                 | <u>472,022</u>                 |
| <b>Disbursements</b>                                 |                           |                                |                                |
| Current:   |                           |                                |                                |
| General Government                                   | 113,424                   |                                | 113,424                        |
| Security of Persons and Property                     | 108,352                   | 1,413                          | 109,765                        |
| Public Health Services                               |                           | 1,606                          | 1,606                          |
| Community Environment                                | 1,341                     | 10,000                         | 11,341                         |
| Transportation                                       | 120,274                   | 52,045                         | 172,319                        |
| <i>Total Disbursements</i>                           | <u>343,391</u>            | <u>65,064</u>                  | <u>408,455</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(58,863)</u>           | <u>122,430</u>                 | <u>63,567</u>                  |
| <b>Other Financing Sources (Uses)</b>                |                           |                                |                                |
| Transfers In   | 43,806                    | 2,792                          | 46,598                         |
| Transfers Out  |                           | (87,321)                       | (87,321)                       |
| <i>Total Other Financing Sources (Uses)</i>          | <u>43,806</u>             | <u>(84,529)</u>                | <u>(40,723)</u>                |
| <i>Net Change in Fund Balances</i>                   | (15,057)                  | 37,901                         | 22,844                         |
| <i>Fund Balances Beginning of Year</i>               | <u>1,916,582</u>          | <u>365,557</u>                 | <u>2,282,139</u>               |
| <i>Fund Balances End of Year</i>                     | <u><u>\$1,901,525</u></u> | <u><u>\$403,458</u></u>        | <u><u>\$2,304,983</u></u>      |

See accompanying notes to the basic financial statements



**Village of Caldwell, Noble County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

|  | <u>Budgeted Amounts</u> |                    | Actual             | Variance with          |
|--|-------------------------|--------------------|--------------------|------------------------|
|  | <u>Original</u>         | <u>Final</u>       |                    | Final Budget           |
|  |                         |                    |                    | Positive<br>(Negative) |
| <b>Receipts</b>                                      |                         |                    |                    |                        |
| Property and Other Local Taxes                       | \$35,600                | \$35,600           | \$34,736           | (\$864)                |
| Special Assessments                                  | 500                     | 500                | 0                  | (500)                  |
| Charges for Services                                 | 700                     | 700                | 700                | 0                      |
| Fines, Licenses and Permits                          | 3,100                   | 3,100              | 1,324              | (1,776)                |
| Intergovernmental                                    | 28,571                  | 28,571             | 115,723            | 87,152                 |
| Interest   | 150,050                 | 150,050            | 128,439            | (21,611)               |
| Miscellaneous  | 2,000                   | 2,000              | 3,606              | 1,606                  |
| <i>Total Receipts</i>                                | <u>220,521</u>          | <u>220,521</u>     | <u>284,528</u>     | <u>64,007</u>          |
| <b>Disbursements</b>                                 |                         |                    |                    |                        |
| Current:   |                         |                    |                    |                        |
| General Government                                   | 139,650                 | 145,650            | 113,784            | 31,866                 |
| Security of Persons and Property                     | 150,385                 | 150,385            | 108,815            | 41,570                 |
| Leisure Time Activities                              | 2,000                   | 2,000              |                    | 2,000                  |
| Community Environment                                | 9,500                   | 9,500              | 1,341              | 8,159                  |
| Transportation                                       | 150,300                 | 144,300            | 120,841            | 23,459                 |
| <i>Total Disbursements</i>                           | <u>451,835</u>          | <u>451,835</u>     | <u>344,781</u>     | <u>107,054</u>         |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(231,314)</u>        | <u>(231,314)</u>   | <u>(60,253)</u>    | <u>171,061</u>         |
| <b>Other Financing Sources (Uses)</b>                |                         |                    |                    |                        |
| Transfers In   | 0                       | 43,806             | 43,806             | 0                      |
| Other Financing Uses                                 | (15,814)                | (15,814)           | 0                  | 15,814                 |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(15,814)</u>         | <u>27,992</u>      | <u>43,806</u>      | <u>15,814</u>          |
| <i>Net Change in Fund Balance</i>                    | (247,128)               | (203,322)          | (16,447)           | 186,875                |
| <i>Fund Balance Beginning of Year</i>                | 1,898,179               | 1,898,179          | 1,898,179          | 0                      |
| Prior Year Encumbrances Appropriated                 | 18,403                  | 18,403             | 18,403             | 0                      |
| <i>Fund Balance End of Year</i>                      | <u>\$1,669,454</u>      | <u>\$1,713,260</u> | <u>\$1,900,135</u> | <u>\$186,875</u>       |

See accompanying notes to the basic financial statements

**Village of Caldwell, Noble County**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*December 31, 2005*

|  | Business Type Activities |                         |                                       |
|--|--------------------------|-------------------------|---------------------------------------|
|  | Water<br>Operating Fund  | Sewer<br>Operating Fund | Waterworks Const.<br>and Improv. Fund |
| <b>Assets</b>                              |                          |                         |                                       |
| Equity in Pooled Cash and Cash Equivalents | \$123,206                | \$390,114               | \$524,322                             |
| <i>Total Assets</i>                        | <u>\$123,206</u>         | <u>\$390,114</u>        | <u>\$524,322</u>                      |
| <b>Net Assets</b>                          |                          |                         |                                       |
| Restricted for Debt Service                |                          |                         |                                       |
| Unrestricted                               | \$123,206                | \$390,114               | \$524,322                             |
| <i>Total Net Assets</i>                    | <u>\$123,206</u>         | <u>\$390,114</u>        | <u>\$524,322</u>                      |

See accompanying notes to the basic financial statements

| Sewer Const.<br>and Repair Fund | Sewer Equip.<br>and Replac. Fund | Sewer Debt<br>Service Fund | Non-Major<br>Enterprise Funds | Total<br>Enterprise Funds |
|---------------------------------|----------------------------------|----------------------------|-------------------------------|---------------------------|
| \$750,805                       | \$366,337                        | \$465,328                  | \$101,370                     | \$2,721,482               |
| <u>\$750,805</u>                | <u>\$366,337</u>                 | <u>\$465,328</u>           | <u>\$101,370</u>              | <u>\$2,721,482</u>        |
|                                 |                                  | \$465,328                  | \$74,840                      | \$540,168                 |
| \$750,805                       | \$366,337                        |                            | \$26,530                      | \$2,181,314               |
| <u>\$750,805</u>                | <u>\$366,337</u>                 | <u>\$465,328</u>           | <u>\$101,370</u>              | <u>\$2,721,482</u>        |

**Village of Caldwell, Noble County**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2005*

|   | Business Type Activities |                         |                                       |                                  |
|---|--------------------------|-------------------------|---------------------------------------|----------------------------------|
|   | Water<br>Operating Fund  | Sewer<br>Operating Fund | Waterworks Const.<br>and Improv. Fund | Sewer Const.<br>and Improv. Fund |
| <b>Operating Receipts</b>                           |                          |                         |                                       |                                  |
| Charges for Services                                | \$559,441                | \$350,692               | \$144,000                             | \$144,000                        |
| <i>Total Operating Receipts</i>                     | <u>559,441</u>           | <u>350,692</u>          | <u>144,000</u>                        | <u>144,000</u>                   |
| <b>Operating Disbursements</b>                      |                          |                         |                                       |                                  |
| Personal Services                                   | 255,614                  | 180,887                 |                                       |                                  |
| Fringe Benefits                                     | 78,157                   | 53,425                  |                                       |                                  |
| Contractual Services                                | 55,750                   | 77,019                  |                                       |                                  |
| Materials and Supplies                              | 156,461                  | 137,397                 |                                       |                                  |
| Other   |                          |                         |                                       |                                  |
| <i>Total Operating Disbursements</i>                | <u>545,982</u>           | <u>448,728</u>          | <u>0</u>                              | <u>0</u>                         |
| <i>Operating Income (Loss)</i>                      | 13,459                   | (98,036)                | 144,000                               | 144,000                          |
| <b>Non-Operating Receipts (Disbursements)</b>       |                          |                         |                                       |                                  |
| Intergovernmental                                   | 584                      | 6,194                   |                                       | 80,257                           |
| Miscellaneous Receipts                              | 23,507                   | 28,878                  |                                       |                                  |
| Capital Outlay                                      | (38,770)                 | (7,395)                 | (45,778)                              | (192,228)                        |
| Principal Payments                                  |                          |                         |                                       |                                  |
| Interest and Fiscal Charges                         |                          |                         |                                       |                                  |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(14,679)</u>          | <u>27,677</u>           | <u>(45,778)</u>                       | <u>(111,971)</u>                 |
| <i>Income (Loss) before Transfers and Advances</i>  | (1,220)                  | (70,359)                | 98,222                                | 32,029                           |
| Transfers In  | 3,503                    | 37,220                  |                                       |                                  |
| <i>Change in Net Assets</i>                         | 2,283                    | (33,139)                | 98,222                                | 32,029                           |
| <i>Net Assets Beginning of Year</i>                 | <u>120,923</u>           | <u>423,253</u>          | <u>426,100</u>                        | <u>718,776</u>                   |
| <i>Net Assets End of Year</i>                       | <u>\$123,206</u>         | <u>\$390,114</u>        | <u>\$524,322</u>                      | <u>\$750,805</u>                 |

See accompanying notes to the basic financial statements

| Sewer Equip.<br>and Replac. Fund | Sewer Debt<br>Service Fund | Other<br>Enterprise Funds | Total<br>Enterprise Funds |
|----------------------------------|----------------------------|---------------------------|---------------------------|
| \$36,000                         | \$420,000                  | \$114,375                 | \$1,768,508               |
| 36,000                           | 420,000                    | 114,375                   | 1,768,508                 |
|                                  |                            |                           | 436,501                   |
|                                  |                            |                           | 131,582                   |
|                                  |                            |                           | 132,769                   |
|                                  |                            |                           | 293,858                   |
|                                  |                            | 8,011                     | 8,011                     |
| 0                                | 0                          | 8,011                     | 1,002,721                 |
| 36,000                           | 420,000                    | 106,364                   | 765,787                   |
|                                  | 6,189                      |                           | 93,224                    |
| (19,623)                         |                            |                           | 52,385                    |
|                                  | (320,717)                  | (50,197)                  | (303,794)                 |
|                                  | (66,071)                   | (55,983)                  | (370,914)                 |
|                                  |                            |                           | (122,054)                 |
| (19,623)                         | (380,599)                  | (106,180)                 | (651,153)                 |
| 16,377                           | 39,401                     | 184                       | 114,634                   |
|                                  |                            |                           | 40,723                    |
| 16,377                           | 39,401                     | 184                       | 155,357                   |
| 349,960                          | 425,927                    | 101,186                   | 2,566,125                 |
| \$366,337                        | \$465,328                  | \$101,370                 | \$2,721,482               |

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**Village of Caldwell, Noble County**

*Notes to the Financial Statements  
December 31, 2005*

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**Note 1 – Reporting Entity**

The Village of Caldwell, Noble County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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 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 the Water and Sewer.

**A. Primary Government**

The primary government consists of all funds, and departments that are not legally separate from the Village. 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.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

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

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

A. Basis of Presentation (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for good or services.

The statement of net assets presents the cash balance of the governmental activities and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village’s governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program’s goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village’s general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund’s principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary funds.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village’s major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.



Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**B. Fund Accounting (Continued)**

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either, enterprise or internal service. The Village only has enterprise funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are as follows:

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.

Waterworks Construction and Improvement Fund - This fund receives charges for services from residents to cover the cost of water system construction and repairs.

Sewer Construction and Repair Fund – This fund receives charges for services from residents to cover the cost of sewer system construction and repairs.

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

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds.

Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

D. Budgetary Process (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts (contra revenue), respectively.

During 2005, the Village invested in non-negotiable certificates of deposit, money market mutual funds and mortgage backed securities. The nonnegotiable certificates of deposit are reported at cost. The Village's money market mutual funds and the mortgage backed securities are recorded at the amount reported by Advest Company at December 31, 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$128,439 which includes \$77,063 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent certain resources which are segregated from other resources of the Village to comply with various covenants established by bond and debt financing agreements.

G. Capital Assets

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

**Village of Caldwell, Noble County**

*Notes to the Financial Statements  
December 31, 2005*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**H. Accumulated Leave**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long Term Obligations**

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street and state highway improvements, cemetery maintenance, federal grants, and drug law enforcement. Net assets restricted for Permanent funds include assets held under trust agreements in the Cemetery Endowment Fund and Cemetery Perpetual Care Fund used for care and upkeep of Olive Cemetery.

**L. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**M. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Village reported financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

**Village of Caldwell, Noble County**

*Notes to the Financial Statements  
December 31, 2005*

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**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements rather than as a reservation of fund balances. The encumbrances outstanding at year end amounted to \$1,390 for the General Fund.

**Note 5 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

**Note 5 – Deposits and Investments (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Unreported Cash

At year end, the Village had \$144,975 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,021,203 of the Village’s bank balance of \$3,421,203 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Village had the following investments in fixed income securities and money market account which are part of the internal cash and cash equivalent pool:

|                      | <u>Carrying Value</u> | <u>Fair Value</u>  | <u>Maturity</u> | <u>% of Total</u> |
|----------------------|-----------------------|--------------------|-----------------|-------------------|
| GNMA Pass-Thru Pool  | \$1,600,254           | \$1,434,551        | Avg-26 years    | 96%               |
| Money Market Account | <u>73,452</u>         | <u>73,452</u>      |                 | <u>4%</u>         |
| Total Portfolio      | <u>\$1,673,706</u>    | <u>\$1,508,003</u> |                 | <u>100%</u>       |

Interest Rate Risk. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. The Village invests in GNMA (Ginny Mae) mortgage pass-through securities in which the principal and interest is United States Government guaranteed. The Federated Prime Cash money market account carries a rating of AAA from Standard and Poor’s. The Village has no investment policy that would further limit its investment choices.

Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

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**Note 5 - Deposits and Investments (Continued)**

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investments are uninsured, unregistered investments that are held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk. The Village places no limit on the amount it may invest in any one issuer.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005, was \$1.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

|                            |    |                   |
|----------------------------|----|-------------------|
| Real Property              |    |                   |
| Residential                | \$ | 13,603,760        |
| Agriculture                |    | 38,570            |
| Industrial                 |    | 19,880            |
| Commercial                 |    | 5,066,300         |
| Public Utility Property    |    |                   |
| Personal                   |    | 963,520           |
| Tangible Personal Property |    | 1,493,130         |
| Total Assessed Value       | \$ | <u>21,185,160</u> |

**Village of Caldwell, Noble County**

*Notes to the Financial Statements  
December 31, 2005*

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**Note 7 – Defined Benefit Pension Plan**

**Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$54,499, \$56,890, and \$54,130 respectively. The full amount has been contributed for 2005, 2004 and 2003. There were no member-directed plan contributions for 2005 for the Village of Caldwell.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$5,646, \$6,439, and \$6,211. The full amount has been contributed for 2005, 2004 and 2003.

Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

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**Note 8 - Postemployment Benefits**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Village contributions for 2005 which were used to fund postemployment benefits were \$22,827. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.



Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

**Note 8 - Postemployment Benefits (Continued)**

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$3,724 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**Note 9 – Debt**

The Village's long-term debt activity for the year ended December 31, 2005 was as follows:

| <u>Business-type<br/>Activities</u> | <u>Interest<br/>Rate</u> | <u>Principal<br/>Outstanding<br/>12/31/2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal<br/>Outstanding<br/>12/31/2005</u> | <u>Amounts<br/>Due<br/>within<br/>One Year</u> |
|-------------------------------------|--------------------------|---|------------------|-------------------|---|--|
| GMAC – Mortgage<br>Revenue Bonds    | 5.00%                    | \$1,107,600                                     | \$               | \$44,000          | \$1,063,600                                     | \$100,180                                      |
| OWDA – revolving<br>loans           |                          |   |                  |                   |   |  |
| Sewer – Prison                      | 2.20%                    | 1,746,224                                       |                  | 128,652           | 1,617,572                                       | 166,365  |
| Sewer – Plant                       | 2.00%                    | 915,355   |                  | 159,074           | 756,281   | 176,590  |
| Sewer – Lines                       | 2.20%                    | 417,623   |                  | 30,768            | 386,855   | 39,787   |
| Total OWDA -<br>revolving loans     |                          | 3,079,202                                       | 0                | 318,494           | 2,760,708                                       | 382,742  |
| OPWC loan project                   | 2.00%                    | 0   | 108,641          | 2,222             | 106,419   | 3,309  |
| USDA                                |                          | 17,837  |                  | 6,197             | 11,640  | 6,800  |
| Total Long-Term<br>Obligations      |                          | <u>\$4,204,639</u>                              | <u>\$108,641</u> | <u>\$370,913</u>  | <u>\$3,942,367</u>                              | <u>\$493,031</u>                               |

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.

**Village of Caldwell, Noble County**

*Notes to the Financial Statements  
December 31, 2005*

**Note 9 – Debt (Continued)**

The 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 the 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.

The Ohio Public Works Commission (OPWC) loan was used for a sanitary sewer replacement project. The is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The following is a summary of the Village's future annual debt service requirements:

| Year Ending<br>December 31 | USDA<br>Loan    | GMAC Loan<br>Mortgage<br>Revenue<br>Bond | OPWC<br>Loan     | OWDA Loan<br>(Sewer Plant) | OWDA Loan<br>(Sewer -<br>Prison) | OWDA<br>Loan<br>(Sewer<br>Lines) |
|----------------------------|-----------------|--|------------------|----------------------------|----------------------------------|----------------------------------|
| 2006                       | \$6,800         | \$100,180                                | \$3,309          | \$88,295                   | \$83,183                         | \$19,894                         |
| 2007                       | 4,861           | 99,830                                   | 6,617            | 176,589                    | 166,366                          | 39,788                           |
| 2008                       |                 | 100,380                                  | 6,617            | 176,589                    | 166,366                          | 39,788                           |
| 2009                       |                 | 99,780                                   | 6,617            | 176,589                    | 166,366                          | 39,788                           |
| 2010                       |                 | 100,080                                  | 6,617            | 176,589                    | 166,366                          | 39,788                           |
| 2011-2015                  |                 | 499,800                                  | 33,087           |                            | 831,830                          | 198,940                          |
| 2016-2020                  |                 | 486,900                                  | 33,087           |                            | 249,548                          | 59,681                           |
| 2021-2025                  |                 | 70,350                                   | 33,087           |                            |                                  |                                  |
| Total                      | <u>\$11,661</u> | <u>\$1,557,300</u>                       | <u>\$129,038</u> | <u>\$794,651</u>           | <u>\$1,830,025</u>               | <u>\$437,667</u>                 |

**Note 10 – 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 Westfield Companies for property 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 \$1,000,000 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 provides life insurance, accidental death, and dismemberment insurance to it 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.

Village of Caldwell, Noble County

Notes to the Financial Statements  
December 31, 2005

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**Note 10 – Risk Management (Continued)**

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

**Note 11 – Construction and Contractual Commitments**

An OPWC grant was received for the Sunset Drive Sanitary Sewer Replacement Project for \$149,999 and the Sunset Drive Sewer Replacement Project was accepted and the final design on the GAC Absorption system at the Water Plant was accepted.

A permit to install the Sewer Plant Headworks Project was received. The Mayor will advertise for bids on the Headworks Project.

The Village Water Department accepted the 285 Water Company and received \$18,200 from its assets.

The NRCS is proceeding to find funding for the Caldwell Lake Dam Rehabilitation Project.

Money from the Light Depository Fund will be transferred from Advest Company to Smith Barney Citigroup.

There are plans being made through a Nature Works Grant for a Caldwell Lake Picnic Shelter.

**Note 12 – Interfund Transactions**

Transfers are used to move revenues from the fund that Statute or budget requires to collect them to the fund that Statute or budget requires to expend them.

| <u>To</u>                     | <u>From</u>            |
|-------------------------------|------------------------|
|                               | FEMA<br>Fund           |
| <b>Major Funds:</b>           |                        |
| General                       | \$43,806               |
| Water Operating               | 3,503                  |
| Sewer Operating               | 37,220                 |
| <b>Other Non-Major Funds:</b> |                        |
| Street                        | 2,792                  |
| Total All Funds               | <u><u>\$87,321</u></u> |

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caldwell, Noble County, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 18, 2006, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 18, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated September 18, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

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

We intend this report solely for the information and use of management and the Village Council. It is not intended for 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

September 18, 2006



**Auditor of State  
Betty Montgomery**

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  
OCTOBER 19, 2006**