



**Auditor of State  
Betty Montgomery**



VILLAGE OF CALEDONIA  
MARION COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Caledonia, Marion County, Ohio, (the Village) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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 combined fund cash balances of the Village as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

April 13, 2004

**VILLAGE OF CALEDONIA  
MARION COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Taxes	\$48,311	\$4,864	\$3,251	\$56,426
Intergovernmental Receipts	37,898	31,829	502	70,229
Charges for Services	5,000	0	0	5,000
Fines, Licenses, and Permits	7,081	0	0	7,081
Earnings on Investments	3,808	127	0	3,935
Miscellaneous	47	4,600	0	4,647
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	102,145	41,420	3,753	147,318
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	25,565	0	0	25,565
Leisure Time Activities	5,261	0	0	5,261
Community Environment	229	0	0	229
Transportation	2,133	36,113	0	38,246
General Government	44,175	0	0	44,175
Capital Outlay	0	0	4,029	4,029
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	77,363	36,113	4,029	117,505
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	24,782	5,307	(276)	29,813
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	0	11	0	11
Transfers-Out	(3,444)	0	0	(3,444)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(3,444)	11	0	(3,433)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	21,338	5,318	(276)	26,380
Fund Cash Balances, January 1, 2003	<hr/>	<hr/>	<hr/>	<hr/>
	69,260	31,727	5,931	106,918
<b>Fund Cash Balances, December 31, 2003</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>\$90,598</b>	<b>\$37,045</b>	<b>\$5,655</b>	<b>\$133,298</b>

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

**VILLAGE OF CALEDONIA  
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$137,976
Total Operating Cash Receipts	137,976
<b>Operating Cash Disbursements:</b>	
Personal Services	2,902
Fringe Benefits	332
Contractual Services	67,054
Supplies and Materials	6,507
Capital Outlay	6,016
Total Operating Cash Disbursements	82,811
Operating Income	55,165
<b>Non-Operating Cash Receipts/(Disbursements):</b>	
Special Assessments	37,506
Earnings on Investments	248
Debt Service - Principal	(42,988)
Debt Service - Interest	(57,340)
Total Non-Operating Cash Receipts/(Disbursements):	(62,574)
Excess of Cash Receipts (Under) Cash Disbursements Before Interfund Transfers	(7,409)
Transfers-In	3,433
Net Cash Receipts (Under) Cash Disbursements	(3,976)
Fund Cash Balances, January 1, 2003	434,381
<b>Fund Cash Balances, December 31, 2003</b>	<b>\$430,405</b>

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

**VILLAGE OF CALEDONIA  
MARION COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's Investment Pool) is recorded at share values reported by the Treasurer of State.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF CALEDONIA  
MARION COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Capital Projects Fund**

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

*Other Capital Projects Fund* – This fund receives proceeds of a permanent improvement tax levy which are used for maintenance of the Village hall.

**4. Enterprise Funds**

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2003 budgetary activity appears in Note 3.

**VILLAGE OF CALEDONIA  
MARION COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2003 follows:

Deposits	\$377,828
STAR Ohio	185,875
	<u>\$563,703</u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

**3. BUDGETARY ACTIVITY**

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

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,349	\$80,807	\$43,542
Special Revenue	42,000	36,113	5,887
Capital Projects	7,200	4,029	3,171
Enterprise	313,928	183,139	130,789
Total	\$487,477	\$304,088	\$183,389

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,555	\$102,145	\$15,590
Special Revenue	30,682	41,431	10,749
Capital Projects	4,098	3,753	(345)
Enterprise	191,605	179,163	(12,442)
Total	\$312,940	\$326,492	\$13,552

**VILLAGE OF CALEDONIA  
MARION COUNTY**

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

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$387,679	4.04%
Ohio Public Works Commission Loan (Sewer)	125,000	0.00%
Ohio Public Works Commission Loan (Drains)	28,042	0.00%
Sanitary Sewer Mortgage Revenue Bonds	811,000	5.00%
Total	<u>\$1,351,721</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$526,500 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$19,314, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) sewer loan relates to the sewer plant construction project. The loan is being repaid in semiannual installments of \$5,000, interest free, over 20 years. The Village's storm sewer project exceeded the OPWC grant amount and thus a loan amount of \$33,990 became effective in 2000. The OPWC loan relating to storm drain construction will be repaid in semiannual installments of \$850, interest free, over 20 years.

The Sanitary Sewer Mortgage Revenue Bonds relate to the sewer plant construction. The bonds were issued on behalf of the Village by the United States Department of Agriculture Rural Community Development Services as a loan reimbursement at the completion of the construction project. The bonds will be repaid in annual installments ranging from \$40,223 to \$50,900, including interest, over 40 years.

**VILLAGE OF CALEDONIA  
MARION COUNTY**

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

**5. DEBT (Continued)**

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

	OWDA Loan	OPWC Loan (Sewer)	OPWC Loan (Drains)	Sanitary Sewer Rev. Bonds
Year ending December 31:				
2004	\$38,628	\$10,000	\$1,700	\$49,550
2005	38,628	10,000	1,700	50,100
2006	38,628	10,000	1,700	50,600
2007	38,628	10,000	1,700	50,050
2008	38,628	10,000	1,700	50,500
2009 - 2013	193,140	50,000	8,500	250,150
2014 - 2018	115,884	25,000	8,500	250,600
2019 - 2023	0	0	2,542	249,900
2024 - 2028	0	0	0	250,650
2029 - 2033	0	0	0	250,050
2034 - 2037	0	0	0	200,750
Total	<u>\$502,164</u>	<u>\$125,000</u>	<u>\$28,042</u>	<u>\$1,702,900</u>

**6. RETIREMENT SYSTEMS**

Village officials have an option to choose Social Security or the Public Employees Retirement System (PERS) of Ohio. As of December 31, 2003, certain Village officials have elected Social Security. The Village's liability is 6.2 percent of wages paid. Other Village employees and officials belong to PERS. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

**7. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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## Auditor of State Betty Montgomery

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Caledonia, Marion County, Ohio, (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 13, 2004, wherein we noted the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 13, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the Village in a separate letter dated April 13, 2004.

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

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

**Betty Montgomery**  
Auditor of State

April 13, 2004



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF CALEDONIA**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 25, 2004**