



**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, 2004. 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 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or the changes in financial position for the year then ended.

Also, 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, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

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 25, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$51,068	\$4,584	\$3,469	\$59,121
Intergovernmental Receipts	36,254	132,475	422	169,151
Fines, Licenses, and Permits	3,242	0	0	3,242
Earnings on Investments	269	119	0	388
Miscellaneous	5,595	0	0	5,595
	<u>96,428</u>	<u>137,178</u>	<u>3,891</u>	<u>237,497</u>
Total Cash Receipts				
	<u>96,428</u>	<u>137,178</u>	<u>3,891</u>	<u>237,497</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	22,507	0	0	22,507
Leisure Time Activities	6,019	0	0	6,019
Community Environment	2,044	0	0	2,044
Transportation	4,117	30,157	0	34,274
General Government	55,608	0	0	55,608
Capital Outlay	0	97,312	7,707	105,019
	<u>90,295</u>	<u>127,469</u>	<u>7,707</u>	<u>225,471</u>
Total Cash Disbursements				
	<u>90,295</u>	<u>127,469</u>	<u>7,707</u>	<u>225,471</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>6,133</u>	<u>9,709</u>	<u>(3,816)</u>	<u>12,026</u>
Other Financing Receipts and (Disbursements):				
Advances-In	280	0	280	560
Advances-Out	(280)	0	(280)	(560)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>6,133</u>	<u>9,709</u>	<u>(3,816)</u>	<u>12,026</u>
Fund Cash Balances, January 1	<u>90,597</u>	<u>37,045</u>	<u>5,655</u>	<u>133,297</u>
Fund Cash Balances, December 31	<u><u>\$96,730</u></u>	<u><u>\$46,754</u></u>	<u><u>\$1,839</u></u>	<u><u>\$145,323</u></u>

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

**VILLAGE OF CALEDONIA
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$138,092
	<hr/>
Total Operating Cash Receipts	138,092
	<hr/>
Operating Cash Disbursements:	
Personal Services	3,054
Fringe Benefits	256
Contractual Services	59,450
Supplies and Materials	6,370
Other	567
	<hr/>
Total Operating Cash Disbursements	69,697
	<hr/>
Operating Income	68,395
	<hr/>
Non-Operating Cash Receipts:	
Special Assessments	43,311
Earnings on Investments	3,464
	<hr/>
Total Non-Operating Cash Receipts	46,775
	<hr/>
Non-Operating Cash Disbursements:	
Debt Service - Principal	43,898
Debt Service - Interest	55,980
	<hr/>
Total Non-Operating Cash Disbursements	99,878
	<hr/>
Excess of Receipts Over Disbursements	15,292
	<hr/>
Fund Cash Balance, January 1	430,405
	<hr/>
Fund Cash Balance, December 31	<u><u>\$445,697</u></u>

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, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Caledonia, Marion County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale 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 types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) 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 tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project 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 to recover the significant costs of providing certain goods or services 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. Village 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 2004 budgetary activity appears in Note 3.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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, 2004, follows:

Deposits	\$402,767
STAR Ohio	<u>188,253</u>
	<u><u>\$591,020</u></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 year ending December 31, 2004, follows:

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,371	\$90,295	\$41,076
Special Revenue	139,312	127,469	\$11,843
Capital Projects	9,500	7,707	\$1,793
Enterprise	327,928	169,575	\$158,353
Total	<u>\$608,111</u>	<u>\$395,046</u>	<u>\$213,065</u>

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,042	\$96,428	(\$8,614)
Special Revenue	128,914	137,178	8,264
Capital Projects	3,860	3,891	31
Enterprise	244,076	184,867	(59,209)
Total	<u>\$481,892</u>	<u>\$422,364</u>	<u>(\$59,528)</u>

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(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, 2004, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$364,481	4.04%
Ohio Public Works Commission Loan (Sewer)	115,000	0.00%
Ohio Public Works Commission Loan (Drains)	26,342	0.00%
Sanitary Sewer Mortgage Revenue Bonds	802,000	5.00%
Total	<u>\$1,307,823</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, 2004
(Continued)**

5. DEBT (Continued)

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

	<u>OWDA Loan</u>	<u>OPWC Loan (Sewer)</u>	<u>OPWC Loan (Drains)</u>	<u>Sanitary Sewer Rev. Bonds</u>
Year ending December 31:				
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	38,628	10,000	1,700	49,900
2010 - 2014	193,140	50,000	8,500	249,800
2015 - 2019	77,256	15,000	8,500	251,300
2020 - 2024	0	0	842	250,450
2025 - 2029	0	0	0	249,650
2030 - 2034	0	0	0	251,150
2035 - 2037	0	0	0	149,850
Total	<u>\$463,536</u>	<u>\$115,000</u>	<u>\$26,342</u>	<u>\$1,653,350</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, 2004, 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 2004, 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, 2004.

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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.

**VILLAGE OF CALEDONIA
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2003, and 2002 (the latest information available):

	2003	2002
Assets	\$5,402,167	\$5,584,592
Liabilities	(1,871,123)	(2,441,793)
Members' Equity	\$3,531,044	\$3,142,799

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



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 Caledonia
Marion County
110 East Marion Street
Caledonia, Ohio 43314

To the Village Council:

We have audited the financial statements of the Village of Caledonia, Marion County, Ohio, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated April 25, 2005, wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 in order to express our opinion on the 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 April 25, 2005, we reported a 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 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*.

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Village of Caledonia
Marion 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 the finance committee, 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

April 25, 2005



**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 24, 2005**