

Village of Caldwell

Audited Financial Statements

December 31, 2006



Mary Taylor, CPA

Auditor of State

Mayor and Members of Council
Village of Caldwell
215 West Street
Caldwell, Ohio 43724

We have reviewed the *Independent Auditor's Report* of the Village of Caldwell, Noble County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Caldwell is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 30, 2007

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VILLAGE OF CALDWELL
NOBLE COUNTY

DECEMBER 31, 2006

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

April 2, 2007

Mayor and Members of Council
Village of Caldwell
215 West Street
Caldwell, OH 43724

Independent Auditor's Report

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, 2006, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and the Street Construction, Maintenance and Repair Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

Mayor and Members of Council
Village of Caldwell
Independent Auditor's Report
April 2, 2007
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In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2007 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* and should be considered in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 9 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.

Hea & Associates, Inc.

Village of Caldwell, Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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, 2006, 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 2006 are as follows:

Net assets of governmental activities decreased \$127,701, or 5.5 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund which decreased \$85,216. Property taxes increased \$3,843, investment income increased \$39,607 and grants and entitlements decreased significantly in 2006 by \$167,854

The Village's general receipts are primarily property taxes, intergovernmental revenues (which includes local government, local government revenue assistance and state and federal grants) and investment income. These receipts represent 10.4%, 34.0% and 45.9% of the total cash received for governmental activities during the year.

The Village's business-type activities receipts are primarily water and sewer collections for charges for service. These receipts in the Water Operating Fund decreased approximately 2.3% and the Sewer Operating Fund decreased 8.8% in 2006 due to a decrease in consumption. The Board of Affairs has increased the rates for water and sewer usage.

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.

Village of Caldwell, Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, 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 non-financial 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, state highways, 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.

Village of Caldwell, Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 major governmental funds are the General Fund and the Street Construction, Maintenance and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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 Construction and Improvement Fund, Sewer Equipment and Replacement Fund, Sewer Debt Service Fund and WWTP Headworks Replacement Fund.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2006 compared to 2005 on a cash basis:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Cash and Cash Equivalents	\$ 2,177,282	\$ 2,304,983	\$ 2,426,015	\$ 2,721,482	\$ 4,603,297	\$ 5,026,465
Total Assets	\$ 2,177,282	\$ 2,304,983	\$ 2,426,015	\$ 2,721,482	\$ 4,603,297	\$ 5,026,465
Net Assets						
Restricted for						
Debt Service	\$ 0	\$ 311,486	\$ 567,705	\$ 540,168	\$ 567,705	\$ 851,654
Capital Projects	0	0	1,578	0	1,578	0
Expendable Trust	11,735	8,642	0	0	11,735	8,642
Non-Expendable Trust	84,280	83,330	0	0	84,280	83,330
Other Purposes	264,958	0	33,657	0	298,615	0
Unrestricted	1,816,309	1,901,525	1,823,075	2,181,314	3,639,384	4,082,839
Total Net Assets	\$ 2,177,282	\$ 2,304,983	\$ 2,426,015	\$ 2,721,482	\$ 4,603,297	\$ 5,026,465

As mentioned previously, net assets of governmental activities decreased \$127,701 or 5.5 percent during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- The General Fund did not receive the revenue to sustain the amount needed for operations in the General Fund. The Village Council is working on implementing a local income tax to help the General Fund.
- The Mayor also froze wages, benefits, hiring and major purchases for 2007 to try and help the General fund recover.

Village of Caldwell, Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 reflects the changes in net assets in 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 32,344	\$ 6,974	\$ 1,740,327	\$ 1,768,508	\$ 1,772,671	\$ 1,775,482
Operating Grants and Contributions	95,733	87,745	0		95,733	87,745
Capital Grants and Contributions	0	0	399,725		399,725	0
Total Program Receipts	128,077	94,719	2,140,052	1,768,508	2,268,129	1,863,227
General Receipts:						
Property and Other Local Taxes	38,579	44,614	0	0	38,579	44,614
Grants and Entitlements Not Restricted to Specific Programs	26,383	189,971	0	86,446	26,383	276,417
Interest	173,907	131,196	0		173,907	131,196
Miscellaneous	5,579	11,522	0	59,163	5,579	70,685
Total General Receipts	244,448	377,303	0	145,609	244,448	522,912
Total Receipts	372,525	472,022	2,140,052	1,914,117	2,512,577	2,386,139
Disbursements:						
General Government	86,536	113,424	0		86,536	113,424
Security of Persons and Property:	116,953	109,765	0		116,953	109,765
Public Health Services	2,606	1,606	0		2,606	1,606
Leisure Time Activity	1,105	0	0		1,105	0
Community Environment	3,205	11,341	0		3,205	11,341
Transportation	288,907	172,319	0		288,907	172,319
Capital Outlay	914	0	0		914	0
Business-type Activities	0	0	2,435,519	1,799,483	2,435,519	1,799,483
Total Disbursements	500,226	408,455	2,435,519	1,799,483	2,935,745	2,207,938
Excess (Deficiency) Before Transfers	(127,701)	63,567	(295,467)	114,634	(423,168)	178,201
Transfers	0	(40,723)	0	40,723	0	0
Increase (Decrease) in Net Assets	(127,701)	22,844	(295,467)	155,357	(423,168)	178,201
Net Assets, Beginning of Year	2,304,983	2,282,139	2,721,482	2,566,125	5,026,465	4,848,264
Net Assets, End of Year	\$ 2,177,282	\$ 2,304,983	\$ 2,426,015	\$ 2,721,482	\$ 4,603,297	\$ 5,026,465

Program receipts represent 90.3 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 9.7 percent of the Village's total receipts and of this amount, over 15.8 percent are local taxes. State and federal grants, entitlements, and interest make up the majority of the balance of the Village's general receipts (81.9 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Village of Caldwell, Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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, 1/3 of the clerk-treasurer costs, City Hall, Street and Cemetery departments as well as internal services such as payroll and purchasing.

Security of persons and property are the costs of police protection, fire department dues, fees, and service agreements, street lighting and traffic signals.

Governmental Activities

If you look at the Statement of Activities on page 11, 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 58 and 23 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 17 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 of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program Expenses				
General Government	\$ 86,536	\$ (84,181)	\$ 113,424	\$ (112,100)
Security of Persons and Property	116,953	(116,953)	109,765	(109,765)
Public Health Services	2,606	7,419	1,606	4,044
Community Environment	3,205	(867)	11,341	(11,341)
Transportation	288,907	(175,548)	172,319	(84,574)
Other	2,019	(2,019)	0	0
	<u>2,019</u>	<u>(2,019)</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 500,226</u>	<u>\$ (372,149)</u>	<u>\$ 408,455</u>	<u>\$ (313,736)</u>

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

Village of Caldwell, Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 Village sells water to four satellite companies, which in turn distribute water to their customers.

The Water Treatment Plant has remained in compliance with the new EPA water quality standards and all the new regulations. The Plant has received a \$300,000 loan from Ohio Public Works Commission (OPWC) and a \$500,000 CDBG Water and Sewer Grant from the Ohio Department of Development to construct and install a Granular Activated Carbon (GAC) Absorption System to treat the water at the water plant. The Plant has the permit to install this new system and EPA approval for the GAC Absorption System. The Village is waiting on the final processing to begin the installation.

The Village has two 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 has completed the project at the plant to install the new North Headworks operation. The South Headworks has sent in an application to OPWC and is waiting for funding from OPWC or Small Government Grants.

The Village's Funds

Total governmental funds had receipts of \$372,525 and disbursements of \$500,226. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$85,216 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 \$85,216 indicating that the General Fund is in a deficit spending situation. The Village is in the process of enacting a one percent income tax for 2007 to help the General Fund.

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 \$450,101 while actual disbursements were \$327,795. Final budgeted receipts were \$221,301, while actual receipts were \$242,621. 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 \$85,216 for 2006.

Village of Caldwell, Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, the Village's outstanding debt included \$3,972,048 in revenue bonds and loans issued for improvements to the Village's water and sewer systems. The outstanding debt with interest amount is \$4,425,353. For further information regarding the Village's debt, refer to Note 8 to the basic financial statements.

Current Issues

The challenge for the Village is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Village relies heavily on local taxes and has 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 in 2006. We then reviewed the disbursement history of the Village. This is also where and why the Mayor composed a resolution regulating the finances on November 28, 2006. There is a freeze on hiring, salaries, wages and benefits for one year. All major purchases will be pre-approved by the Clerk-Treasurer and the Board of Public Affairs or Council for one year.

Contacting the Village'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, 2006

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,177,282	\$ 2,426,015	\$ 4,603,297
Total Assets	\$ 2,177,282	\$ 2,426,015	\$ 4,603,297
Net Assets			
Restricted for:			
Debt Service	\$ 0	\$ 567,705	\$ 567,705
Capital Projects	0	1,578	1,578
Permanent Funds			
Expendable	11,735	0	11,735
Non-Expendable	84,280	0	84,280
Other Purposes	264,958	33,657	298,615
Unrestricted	1,816,309	1,823,075	3,639,384
Total Net Assets	\$ 2,177,282	\$ 2,426,015	\$ 4,603,297

See accompanying notes to the basic financial statements

Village of Caldwell, Noble County
Statement of Activities - Cash Basis
December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts & 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
Governmental Activities:							
General Government	\$ 86,536	\$ 2,355	\$ 0	\$ 0	\$ (84,181)	\$ 0	\$ (84,181)
Security of Persons and Property	116,953	0	0	0	(116,953)	0	(116,953)
Public Health Services	2,606	10,025	0	0	7,419	0	7,419
Leisure Time Activities	1,105	0	0	0	(1,105)	0	(1,105)
Community Environment	3,205	2,338	0	0	(867)	0	(867)
Transportation	288,907	17,626	95,733	0	(175,548)	0	(175,548)
Capital Outlay	914	0	0	0	(914)	0	(914)
<i>Total Governmental Activities</i>	500,226	32,344	95,733	0	(372,149)	0	(372,149)
Business Type Activity							
Water Operating	656,582	549,757	0	37,785	0	(69,040)	(69,040)
Sewer Operating	465,534	324,368	0	0	0	(141,166)	(141,166)
Water Works Construction	48,569	144,000	0	0	0	95,431	95,431
Sewer Construction and Replacement	356,693	144,000	0	0	0	(212,693)	(212,693)
Sewer Equipment and Replacement	40,241	36,000	0	0	0	(4,241)	(4,241)
Water Revenue Bond Retirement	106,980	108,000	0	0	0	1,020	1,020
Sewer Revenue Bond Retirement	393,483	420,000	0	0	0	26,517	26,517
WWTP Headworks Project	227,941	0	0	227,941	0	0	0
Sunset Dr. Sanitary Sewer Project	132,421	0	0	133,999	0	1,578	1,578
Guaranteed Deposits	7,075	14,202	0	0	0	7,127	7,127
<i>Total Business Type Activities</i>	2,435,519	1,740,327	0	399,725	0	(295,467)	(295,467)
Total	\$ 2,935,745	\$ 1,772,671	\$ 95,733	\$ 399,725	(372,149)	(295,467)	(667,616)
General Receipts:							
Property Taxes Levied for:							
General Purposes					38,579	0	38,579
Grants and Entitlements not Restricted to Specific Programs					26,383	0	26,383
Earnings on Investments					173,907	0	173,907
Miscellaneous					5,579	0	5,579
Total General Receipts					244,448	0	244,448
Change in Net Assets					(127,701)	(295,467)	(423,168)
Net assets - beginning of year					2,304,983	2,721,482	5,026,465
Net assets - end of year					\$ 2,177,282	\$ 2,426,015	\$ 4,603,297

See accompanying notes to the basic financial statements

Village of Caldwell, Noble County
Statement of Cash Basis Assets and Fund Balance
Governmental Funds
December 31, 2006

	<u>General Fund</u>	<u>Street Construction Maint. Rep.</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,816,309	\$ 134,483	\$ 226,490	\$ 2,177,282
Total Assets	<u>\$ 1,816,309</u>	<u>\$ 134,483</u>	<u>\$ 226,490</u>	<u>\$ 2,177,282</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 1,349	\$ 0	\$ 0	\$ 1,349
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	1,814,960	0	0	1,814,960
Special Revenue Funds	0	134,483	130,475	264,958
Permanent Funds	0	0	96,015	96,015
Total Fund Balances	<u>\$ 1,816,309</u>	<u>\$ 134,483</u>	<u>\$ 226,490</u>	<u>\$ 2,177,282</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, 2006

	General	Street Const. Maint. Rep.	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 38,579	\$ 0	\$ 0	\$ 38,579
Charges for Services	950	0	12,363	13,313
Fines, Licenses and Permits	2,355	0	0	2,355
Intergovernmental	26,383	88,553	11,833	126,769
Interest	166,646	706	3,451	170,803
Miscellaneous	7,708	12,973	25	20,706
<i>Total Receipts</i>	<u>242,621</u>	<u>102,232</u>	<u>27,672</u>	<u>372,525</u>
Disbursements				
Current:				
General Government	86,536	0	0	86,536
Security of Persons and Property	115,465	0	1,488	116,953
Public Health Services	0	0	2,606	2,606
Leisure Time Activities	1,105	0	0	1,105
Community Environment	2,978	0	227	3,205
Transportation	121,753	166,796	358	288,907
Capital Outlay	0	0	914	914
<i>Total Disbursements</i>	<u>327,837</u>	<u>166,796</u>	<u>5,593</u>	<u>500,226</u>
<i>Net Change in Fund Balances</i>	(85,216)	(64,564)	22,079	(127,701)
<i>Fund Balances Beginning of Year</i>	<u>1,901,525</u>	<u>199,047</u>	<u>204,411</u>	<u>2,304,983</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,816,309</u>	<u>\$ 134,483</u>	<u>\$ 226,490</u>	<u>\$ 2,177,282</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, 2006

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive
				(Negative)
Receipts				
Property and Other Local Taxes	\$ 36,100	\$ 36,100	\$ 38,579	\$ 2,479
Special Assessments	500	500	0	(500)
Charges for Services	700	700	950	250
Fines, Licenses and Permits	3,100	3,100	2,355	(745)
Intergovernmental	28,851	28,851	26,383	(2,468)
Earnings on Investments	150,050	150,050	166,646	16,596
Miscellaneous	2,000	2,000	7,708	5,708
Total Receipts	221,301	221,301	242,621	21,320
Disbursements				
Current:				
General Government	125,365	125,365	86,807	38,558
Security of Persons and Property	148,939	148,939	115,928	33,011
Leisure Time Activities	2,000	2,000	1,105	895
Community Environment	11,500	11,500	2,978	8,522
Transportation	148,467	148,467	122,368	26,099
Total Disbursements	436,271	436,271	329,186	107,085
<i>Excess of Receipts Over (Under) Disbursements</i>	(214,970)	(214,970)	(86,565)	128,405
Other Financing Sources (Uses)				
Other Financing Uses	(15,221)	(15,221)	0	15,221
<i>Net Change in Fund Balance</i>	(230,191)	(230,191)	(86,565)	143,626
<i>Fund Balance Beginning of Year</i>	1,900,134	1,900,134	1,900,134	0
Prior Year Encumbrances Appropriated	1,391	1,391	1,391	0
Fund Balance End of Year	\$ 1,671,334	\$ 1,671,334	\$ 1,814,960	\$ 143,626

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
Street Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 84,000	\$ 84,000	\$ 88,553	\$ 4,553
Earnings on Investments	150	150	706	556
Miscellaneous	250	250	12,973	12,723
Total Receipts	<u>84,400</u>	<u>84,400</u>	<u>102,232</u>	<u>17,832</u>
Disbursements				
Current:				
Transportation	223,059	223,059	166,796	56,263
Total Disbursements	<u>223,059</u>	<u>223,059</u>	<u>166,796</u>	<u>56,263</u>
<i>Net Change in Fund Balance</i>	(138,659)	(138,659)	(64,564)	74,095
<i>Fund Balance Beginning of Year</i>	198,987	198,987	198,987	0
Prior Year Encumbrances Appropriated	<u>60</u>	<u>60</u>	<u>60</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 60,388</u>	<u>\$ 60,388</u>	<u>\$ 134,483</u>	<u>\$ 74,095</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, 2006

	Business Type Activities			
	Water Operating Fund	Sewer Operating Fund	Waterworks Construction and Improvement Fund	Sewer Construction and Repair Fund
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 54,166	\$ 248,948	\$ 619,753	\$ 538,112
Total Assets	<u>\$ 54,166</u>	<u>\$ 248,948</u>	<u>\$ 619,753</u>	<u>\$ 538,112</u>
Net Assets				
Restricted for Debt Service	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for Capital Projects	0	0	0	0
Restricted for Other Purposes	0	0	0	0
Unrestricted	54,166	248,948	619,753	538,112
Total Net Assets	<u>\$ 54,166</u>	<u>\$ 248,948</u>	<u>\$ 619,753</u>	<u>\$ 538,112</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, 2006

Sewer Equipment and Replacement Fund	Sewer Debt Service Fund	WWTP Headworks Repair	Non-Major Enterprise Funds	Total Enterprise Funds
\$ 362,096	\$ 491,845	\$ 0	\$ 111,095	\$ 2,426,015
<u>\$ 362,096</u>	<u>\$ 491,845</u>	<u>\$ 0</u>	<u>\$ 111,095</u>	<u>\$ 2,426,015</u>
\$ 0	\$ 491,845	\$ 0	\$ 75,860	\$ 567,705
0	0	0	1,578	1,578
0	0	0	33,657	33,657
362,096	0	0	0	1,823,075
<u>\$ 362,096</u>	<u>\$ 491,845</u>	<u>\$ 0</u>	<u>\$ 111,095</u>	<u>\$ 2,426,015</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, 2006

	Business Type Activities			
	Water Operating Fund	Sewer Operating Fund	Waterworks Construction and Improvement Fund	Sewer Construction and Improvement Fund
Operating Receipts				
Charges for Services	\$ 546,493	\$ 319,813	\$ 144,000	\$ 144,000
Total Operating Receipts	<u>546,493</u>	<u>319,813</u>	<u>144,000</u>	<u>144,000</u>
Operating Disbursements				
Personal Services	293,094	188,976	0	0
Fringe Benefits	80,514	52,425	0	0
Contractual Services	60,275	88,869	0	0
Materials and Supplies	217,139	135,264	0	0
Capital Outlay	0	0	0	0
Other	0	0	0	0
Total Operating Disbursements	<u>651,022</u>	<u>465,534</u>	<u>0</u>	<u>0</u>
Operating Income (Loss)	(104,529)	(145,721)	144,000	144,000
Non-Operating Receipts (Disbursements)				
Intergovernmental	37,785	0	0	0
Proceeds of Debt	0	0	0	0
Miscellaneous Receipts	3,264	4,555	0	0
Capital Outlay	(5,560)	0	(48,569)	(356,693)
Principal Payments	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Non-Operating Receipts (Disbursements)	<u>35,489</u>	<u>4,555</u>	<u>(48,569)</u>	<u>(356,693)</u>
Change in Net Assets	(69,040)	(141,166)	95,431	(212,693)
Net Assets Beginning of Year	<u>123,206</u>	<u>390,114</u>	<u>524,322</u>	<u>750,805</u>
Net Assets End of Year	<u>\$ 54,166</u>	<u>\$ 248,948</u>	<u>\$ 619,753</u>	<u>\$ 538,112</u>

See accompanying notes to the basic financial statements

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, 2006

Sewer Equipment and Replacement Fund	Sewer Debt Service Fund	WWTP Headworks Replacement	Other Enterprise Funds	Total Enterprise Funds
\$ 36,000	\$ 420,000	\$ 0	\$ 122,202	\$ 1,732,508
36,000	420,000	0	122,202	1,732,508
0	0	0	0	482,070
0	0	0	0	132,939
0	0	0	0	149,144
0	0	0	0	352,403
0	0	227,941	132,421	360,362
0	0	0	7,075	7,075
0	0	227,941	139,496	1,483,993
36,000	420,000	(227,941)	(17,294)	248,515
0	0	78,001	118,999	234,785
0	0	149,940	15,000	164,940
0	0	0	0	7,819
(40,241)	0	0	0	(451,063)
0	(333,853)	0	(53,406)	(387,259)
0	(59,630)	0	(53,574)	(113,204)
(40,241)	(393,483)	227,941	27,019	(543,982)
(4,241)	26,517	0	9,725	(295,467)
366,337	465,328	0	101,370	2,721,482
<u>\$ 362,096</u>	<u>\$ 491,845</u>	<u>\$ 0</u>	<u>\$ 111,095</u>	<u>\$ 2,426,015</u>

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

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, 2006

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 non-exchange 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. Non-major 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 non-operating.

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 non-exchange transactions as governmental funds. The Village’s major governmental funds are as follows:

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, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

The Street Construction, Maintenance and Repair Fund – The fund is used to account for all activity related to construction, maintenance and repair of the Village's streets.

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 Equipment and Replacement Fund - This fund receives charges for services from residents to cover the cost of sewer system equipment and equipment repairs or replacement.

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

Wastewater Treatment Plant Headworks Project – This fund receives grant monies for the North Headworks project.

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.

which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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 2006, 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 Citigroup Smith Barney at December 31, 2006.

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 2006 was \$166,646 which includes \$99,988 assigned from other Village funds.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

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 non-operating 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 – 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 \$1,349 for the General Fund. There were no encumbrances outstanding for the Street Construction, Maintenance and Repair Fund.

Note 4 – 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;

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 4 – Deposits and Investments (Continued)

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. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
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).

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.

Deposits

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was \$2,926,488.

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, \$2,568,660 of the Village's bank balance of \$2,968,660 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.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 4 – Deposits and Investments (Continued)

Investments

As of December 31, 2006, 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	\$ 1,607,145	\$ 1,416,274	Avg-26 years	96%
Money Market Account	<u>69,664</u>	<u>69,664</u>		<u>4%</u>
Total Portfolio	<u><u>\$ 1,676,809</u></u>	<u><u>\$ 1,485,938</u></u>		<u><u>100%</u></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.

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 5 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 5 – Property Taxes (Continued)

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, 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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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, 2006, 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	\$ 15,324,660
Agriculture	31,790
Industrial	19,880
Commercial	5,356,340
Public Utility Property	
Personal	822,700
Tangible Personal Property	<u>1,355,770</u>
Total Assessed Value	<u>\$ 22,911,140</u>

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 6 – Defined Benefit Pension Plan (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Ohio Public Employees Retirement System (Continued)

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan.

The 2006 member contribution rate was 9.0%. The 2006 employer contribution rate for local government employer units, including the Village, was 13.70% of covered payroll. The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$58,796, \$54,499 and \$56,890 respectively. The full amount has been contributed for 2006, 2005 and 2004. There were no member-directed plan contributions for 2006 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 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2006, 2005, and 2004 were \$7,933, \$5,646 and \$6,439. The full amount has been contributed for 2006, 2005 and 2004.

Note 7 – Post-employment 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 Post-employment 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 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.5 percent of covered payroll was the portion that was used to fund health care.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 7 – Post-employment Benefits (Continued)

Benefits are advance-funded using the individual entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees). In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years, (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The number of active contributing participants in the traditional and combined plans was 369,214 as of December 31, 2006. Actual Village contributions for 2006 which were used to fund post-employment benefits were \$24,246. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, 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.

The health care coverage provided by the retirement system is considered an Other Post-employment 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 post-employment health care program during 2006 and 2005. 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 2006 that were used to fund post-employment benefits were \$3,149 for police. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 8 – Debt

The Village's long-term debt activity for the year ended December 31, 2006 was as follows:

	<u>Interest Rate</u>	<u>Principal Outstanding 12/31/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 12/31/2006</u>	<u>Amount Due within One Year</u>
<i><u>Business-type Activities</u></i>						
CAPMARK - Mortgage Revenue Bonds	5.00%	\$ 1,063,600	\$ 0	\$ 47,000	\$1,016,600	\$ 49,000
OWDA - Loans						
Sewer - Prison	2.20%	1,617,572	0	131,498	1,486,074	66,836
Sewer - Plant	2.00%	756,281	0	162,271	594,010	82,355
Sewer - Lines	2.20%	<u>386,855</u>	<u>0</u>	<u>31,449</u>	<u>355,406</u>	<u>15,984</u>
Total OWDA Loans		2,760,708	0	325,218	2,435,490	165,175
OPWC Loans						
Sewer Replacement	2.00%	106,419	0	4,512	101,907	2,290
Sunset Drive Sewer	0.00%	0	15,000	375	14,625	375
WWTP Headworks	0.00%	<u>0</u>	<u>149,940</u>	<u>3,748</u>	<u>146,192</u>	<u>3,749</u>
Total OPWC Loans		106,419	164,940	8,635	262,724	6,414
USDA		<u>11,640</u>	<u>0</u>	<u>6,406</u>	<u>5,234</u>	<u>5,234</u>
Total Long-Term Obligations		<u>\$ 3,942,367</u>	<u>\$ 164,940</u>	<u>\$ 387,259</u>	<u>\$ 3,720,048</u>	<u>\$ 225,823</u>

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 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.

The Ohio Public Works Commission (OPWC) loans were used for a sanitary sewer replacement project, a sanitary sewer improvement project on Sunset Drive and for the Wastewater Treatment Plant Headworks project. All loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 8 – Debt (Continued)

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

Year	OPWC Loans		OWDA Loans		USDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 6,414	\$ 1,019	\$ 165,175	\$ 26,196	\$ 5,234	\$ 169
2008	12,895	1,969	335,572	47,171	0	0
2009	12,989	1,876	342,656	40,086	0	0
2010	13,084	1,780	349,836	32,908	0	0
2011	13,181	1,683	179,807	26,346	0	0
2012-2016	67,434	6,884	960,488	70,277	0	0
2017-2021	70,175	4,147	101,956	1,121	0	0
2022-2026	66,552	1,153	0	0	0	0
	<u>\$ 262,724</u>	<u>\$ 20,511</u>	<u>\$2,435,490</u>	<u>\$ 244,105</u>	<u>\$ 5,234</u>	<u>\$ 169</u>

Year	Mortgage Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2007	\$ 49,000	\$ 50,830	\$ 225,823	\$ 78,214
2008	52,000	48,380	400,467	97,520
2009	54,000	45,780	409,645	87,742
2010	57,000	43,080	419,920	77,768
2011	60,000	40,230	252,988	68,259
2012-2016	346,000	153,300	1,373,922	230,461
2017-2021	398,600	58,920	570,731	64,188
2022-2026	0	0	66,552	1,153
	<u>\$ 1,016,600</u>	<u>\$ 440,520</u>	<u>\$3,720,048</u>	<u>\$ 705,305</u>

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2006

Note 9 – 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 its employees. The Village contracts with the Health Plan of the Upper Ohio Valley for employee hospitalization insurance. The Village pays for individual coverage of life, health, dental and vision. Premiums are paid from the same funds that pay the employees' salaries.

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

Note 10 – Construction and Contractual Commitments

In 2005 the final design on the GAC Adsorption system at the Water Plant was accepted. In 2006 the Village obtained a \$300,000, 0% interest loan from OPWC and a \$500,000 grant from CDBG for this project. Loan payments have not been scheduled at this time since no draw down of funds have occurred as of December 31, 2006.

Note 11 – Contingencies

The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2006.

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

April 2, 2007

Mayor and Members of Council
Village of Caldwell
215 West Street
Caldwell, OH 43724

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Village of Caldwell (the Village) as of and for the year ended December 31, 2006, and have issued our report thereon dated April 2, 2007. 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 as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected in the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated April 2, 2007.

Village of Caldwell

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

April 2, 2007

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Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Hea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

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
MAY 10, 2007**