

**VILLAGE OF COLDWATER
MERCER COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Coldwater
610 West Sycamore Street
Coldwater, Ohio 45828

We have reviewed the *Independent Auditors' Report* of the Village of Coldwater, Mercer County, prepared by Bastin & Company, LLC, for the audit period January 1, 2005 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Coldwater is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 29, 2007

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**VILLAGE OF COLDWATER
MERCER COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Coldwater
610 West Sycamore Street
Coldwater, Ohio 45828

We have audited the accompanying financial statements of the Village of Coldwater, Mercer County, Ohio, (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village prepares its 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity-wide statements and also to present its larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or their changes in financial position or cash flows, where applicable, for the years 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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
July 9, 2007

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types				Totals (Memorandum (Only))
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$1,326,419	\$ 413,955	\$ -	\$ -	\$1,740,374
Intergovernmental Receipts	250,691	13,699	-	-	264,390
Special Assessments	-	-	4,249	10,579	14,828
Fines, Licenses and Permits	4,693	180	-	40,000	44,873
Interest Receipts	15,228	1,007	839	4,119	21,193
Miscellaneous	<u>37,002</u>	<u>80,909</u>	<u>-</u>	<u>-</u>	<u>117,911</u>
 Total Cash Receipts	 <u>1,634,033</u>	 <u>509,750</u>	 <u>5,088</u>	 <u>54,698</u>	 <u>2,203,569</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	469,079	69,092	-	-	538,171
Public Health Services	14,048	-	-	-	14,048
Community Environment	-	11,304	-	-	11,304
Transportation	-	522,880	-	-	522,880
General Government	398,478	6,173	-	-	404,651
Capital Outlay	47,410	216,124	4,000	163,403	430,937
Debt Service:					
Principal Payments	8,240	70,526	293,389	12,500	384,655
Interest Payments	<u>266</u>	<u>2,325</u>	<u>131,424</u>	<u>-</u>	<u>134,015</u>
 Total Cash Disbursements	 <u>937,521</u>	 <u>898,424</u>	 <u>428,813</u>	 <u>175,903</u>	 <u>2,440,661</u>
 Total Receipts Over (Under) Disbursements	 <u>696,512</u>	 <u>(388,674)</u>	 <u>(423,725)</u>	 <u>(121,205)</u>	 <u>(237,092)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Transfers - In	-	490,775	400,072	177,500	1,068,347
Transfers - Out	(694,937)	(165,000)	-	-	(859,937)
Proceeds from Issuing Debt	-	85,196	-	-	85,196
Proceeds from Sale of Land	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,868</u>	<u>6,868</u>
 Total Other Financing Receipts (Disbursements)	 <u>(694,937)</u>	 <u>410,971</u>	 <u>400,072</u>	 <u>184,368</u>	 <u>300,474</u>
 Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	 1,575	 22,297	 (23,653)	 63,163	 63,382
 Fund Cash Balances, January 1	 <u>66,635</u>	 <u>(50,545)</u>	 <u>43,698</u>	 <u>74,991</u>	 <u>134,779</u>
 Fund Cash Balances, December 31	 <u>\$ 68,210</u>	 <u>\$(28,248)</u>	 <u>\$ 20,045</u>	 <u>\$138,154</u>	 <u>\$ 198,161</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>		Totals
	<u>Enterprise</u>	<u>Internal Service</u>	(Memorandum Only)
<i>Operating Cash Receipts:</i>			
Charges for Services	\$1,126,516	\$240,755	\$1,367,271
Miscellaneous	<u>20,360</u>	<u>-</u>	<u>20,360</u>
Total Operating Cash Receipts	<u>1,146,876</u>	<u>240,755</u>	<u>1,387,631</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	451,158	184,620	635,778
Contractual Services	137,707	-	137,707
Materials and Supplies	319,170	-	319,170
Capital Outlay	<u>279,259</u>	<u>-</u>	<u>279,259</u>
Total Operating Cash Disbursements	<u>1,187,294</u>	<u>184,620</u>	<u>1,371,914</u>
Operating Income (Loss)	<u>(40,418)</u>	<u>56,135</u>	<u>15,717</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from Sale of Land	<u>24,000</u>	<u>-</u>	<u>24,000</u>
Total Non-Operating Cash Receipts	<u>24,000</u>	<u>-</u>	<u>24,000</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Principal Payments	(85,381)	-	(85,381)
Debt Interest Payments	<u>(1,113)</u>	<u>-</u>	<u>(1,113)</u>
Total Non-Operating Cash Disbursements	<u>(86,494)</u>	<u>-</u>	<u>(86,494)</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements before Interfund Transfers	(102,912)	56,135	(46,777)
Transfers - In	135,000	-	135,000
Transfers - Out	<u>(343,410)</u>	<u>-</u>	<u>(343,410)</u>
Net Cash Receipts Over (Under) Cash Disbursements	(311,322)	56,135	(255,187)
Fund Cash Balances, January 1	<u>397,076</u>	<u>2,317</u>	<u>399,393</u>
Fund Cash Balances, December 31	<u>\$ 85,754</u>	<u>\$ 58,452</u>	<u>\$ 144,206</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types				Totals (Memorandum (Only))
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$1,195,127	\$ 211,967	\$ -	\$ -	\$1,407,094
Intergovernmental Receipts	295,624	286,191	-	-	581,815
Special Assessments	-	-	18,922	7,812	26,734
Fines, Licenses and Permits	3,595	366	-	725	4,686
Interest Receipts	9,428	60	1,098	611	11,197
Miscellaneous	<u>30,958</u>	<u>79,204</u>	<u>-</u>	<u>-</u>	<u>110,162</u>
 Total Cash Receipts	 <u>1,534,732</u>	 <u>577,788</u>	 <u>20,020</u>	 <u>9,148</u>	 <u>2,141,688</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	474,475	66,234	-	-	540,709
Public Health Services	14,706	-	-	-	14,706
Community Environment	-	8,291	-	10,029	18,320
Transportation	-	604,227	-	-	604,227
General Government	362,853	2,223	-	-	365,076
Capital Outlay	45,484	94,834	17,250	12,065	169,633
Debt Service:					
Principal Payments	15,174	38,919	448,591	68,890	571,574
Interest Payments	<u>635</u>	<u>1,880</u>	<u>109,678</u>	<u>706</u>	<u>112,899</u>
 Total Cash Disbursements	 <u>913,327</u>	 <u>816,608</u>	 <u>575,519</u>	 <u>91,690</u>	 <u>2,397,144</u>
 Total Receipts Over (Under) Disbursements	 <u>621,405</u>	 <u>(238,820)</u>	 <u>(555,499)</u>	 <u>(82,542)</u>	 <u>(255,456)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Transfers - In	-	410,350	292,364	129,000	831,714
Transfers - Out	(607,553)	(80,000)	-	-	(687,553)
Proceeds from Issuing Debt	-	61,683	260,000	-	321,683
Proceeds from Sale of Land	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,500</u>	<u>28,500</u>
 Total Other Financing Receipts (Disbursements)	 <u>(607,553)</u>	 <u>392,033</u>	 <u>552,364</u>	 <u>157,500</u>	 <u>494,344</u>
 Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	 13,852	 153,213	 (3,135)	 74,958	 238,888
 Fund Cash Balances, January 1	 <u>52,783</u>	 <u>(203,758)</u>	 <u>46,833</u>	 <u>33</u>	 <u>(104,109)</u>
 Fund Cash Balances, December 31	 <u>\$ 66,635</u>	 <u>\$ (50,545)</u>	 <u>\$ 43,698</u>	 <u>\$ 74,991</u>	 <u>\$ 134,779</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 1,208,068	\$190,300	\$ 1,398,368
Miscellaneous	<u>69,454</u>	<u>-</u>	<u>69,454</u>
Total Operating Cash Receipts	<u>1,277,522</u>	<u>190,300</u>	<u>1,467,822</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	398,640	187,993	586,633
Contractual Services	52,112	-	52,112
Materials and Supplies	266,589	-	266,589
Capital Outlay	<u>2,779,535</u>	<u>-</u>	<u>2,779,535</u>
Total Operating Cash Disbursements	<u>3,496,876</u>	<u>187,993</u>	<u>3,684,869</u>
Operating Income (Loss)	<u>(2,219,354)</u>	<u>2,307</u>	<u>(2,217,047)</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from Issuing Debt	<u>2,665,000</u>	<u>-</u>	<u>2,665,000</u>
Total Non-Operating Cash Receipts	<u>2,665,000</u>	<u>-</u>	<u>2,665,000</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Principal Payments	(1,919,440)	-	(1,919,440)
Debt Interest Payments	<u>(39,501)</u>	<u>-</u>	<u>(39,501)</u>
Total Non-Operating Cash Disbursements	<u>(1,958,941)</u>	<u>-</u>	<u>(1,958,941)</u>
Excess of Cash Receipts Over (Under) Cash Disbursements before Interfund Transfers	(1,513,295)	2,307	(1,510,988)
Transfers - In	129,100	-	129,100
Transfers - Out	<u>(273,261)</u>	<u>-</u>	<u>(273,261)</u>
Net Cash Receipts Over (Under) Cash Disbursements	(1,657,456)	2,307	(1,655,149)
Fund Cash Balances, January 1	<u>2,054,532</u>	<u>10</u>	<u>2,054,542</u>
Fund Cash Balances, December 31	<u>\$ 397,076</u>	<u>\$ 2,317</u>	<u>\$ 399,393</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Coldwater, Mercer County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected, six-member Council directs the Village. The Village provides general governmental services, including public safety, health, recreation, street maintenance, water and sewer facilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records 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 the mutual fund reports.

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

VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways within the Village.

Fire Levy Fund - This fund receives property taxes levied on real estate and personal property on Butler Township and Coldwater property for the purpose of providing funds for the operation of the volunteer fire department.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement Fund - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest and related costs.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Industrial Development Fund - This fund is for the purchase, operation and further development of the Village Industrial Park.

Fire Capital Fund - This fund was established for the purchase of fire equipment for the volunteer fire department.

5. Proprietary Funds

These funds account for operations that are similar to private sector enterprises where management intends that the significant costs of providing certain goods and services will be recovered through user charges. The Village had the following Proprietary Fund Types:

Enterprise Funds

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. The Village had the following significant Enterprise Funds:

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)**

Water Revenue Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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

Park Operations Fund - This fund is used to account for the costs associated with operating the municipal park system within the Village.

Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency of the Village on a cost-reimbursement basis. The Village had the following Internal Service Fund:

Employee Insurance Fund – This fund is used to account for the costs associated with employee health insurance plan for the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over and need not be re-appropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Total Columns on Financial Statements

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

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 was as follows:

<i>Deposits:</i>	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 111,247	\$ 164,760
Money market funds	110,676	6,038
Total deposits	<u>221,923</u>	<u>170,798</u>
<i>Investments:</i>		
U.S. government securities	-	100,000
Special assessment bonds	37,931	46,320
Star Ohio	<u>82,513</u>	<u>217,054</u>
Total investments	<u>120,444</u>	<u>363,374</u>
Total deposits and investments	<u>\$ 342,367</u>	<u>\$ 534,172</u>

Deposits:

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

Investments:

U.S. government securities consisted of FHLB Bonds at December 31, 2005 which were held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

Special assessment bonds represent various special assessment bond issues that were purchased and held by the Village.

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

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,566,945	\$ 1,634,033	\$ 67,088
Special Revenue	1,264,863	1,085,721	(179,142)
Debt Service	425,585	405,160	(20,425)
Capital Projects	180,761	239,066	58,305
Enterprise	1,378,856	1,305,876	(72,980)
Internal Service	245,000	240,755	(4,245)
Total	<u>\$ 5,062,010</u>	<u>\$ 4,910,611</u>	<u>\$ (151,399)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,633,580	\$ 1,632,458	\$ 1,122
Special Revenue	1,151,446	1,063,424	88,022
Debt Service	428,813	428,813	-
Capital Projects	176,000	175,903	97
Enterprise	1,616,811	1,617,198	(387)
Internal Service	185,000	184,620	380
Total	<u>\$ 5,191,650</u>	<u>\$ 5,102,416</u>	<u>\$ 89,234</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,468,106	\$ 1,534,732	\$ 66,626
Special Revenue	1,141,081	1,049,821	(91,260)
Debt Service	554,272	572,384	18,112
Capital Projects	94,864	166,648	71,784
Enterprise	4,257,730	4,071,622	(186,108)
Internal Service	187,984	190,300	2,316
Total	<u>\$ 7,704,037</u>	<u>\$ 7,585,507</u>	<u>\$ (118,530)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,521,803	\$ 1,520,880	\$ 923
Special Revenue	931,675	896,608	35,067
Debt Service	575,519	575,519	-
Capital Projects	91,700	91,690	10
Enterprise	5,730,791	5,729,078	1,713
Internal Service	187,995	187,993	2
Total	<u>\$ 9,039,483</u>	<u>\$ 9,001,768</u>	<u>\$ 37,715</u>

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)**

4. COMPLIANCE

Contrary to Ohio Law, the Village had a deficit cash balance of \$37,809 and \$89,003 in the Special Revenue, Street Maintenance and Repair Fund as of December 31, 2006 and 2005 respectively

Contrary to Ohio Law, appropriations exceeded total estimated resources available in the following funds during 2005:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$1,520,889	\$1,521,803	(\$914)
Street Maintenance & Repair Fund	708,554	709,000	(446)
Fire Levy Fund	185,661	185,700	(39)
Industrial Development Fund	65,066	65,075	(9)
Storm Sewer Improvement Fund	33,102	39,110	(6,008)
Park Operations Fund	305,731	305,750	(19)

In addition, expenditures exceeded appropriations in the Park Operations Fund by \$440 for 2006.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with 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.

Public utilities are also taxed on personal and real property located within the Village.

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 taxes, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Proceeds of the tax are credited to the General Fund.

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)**

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Obligation Bonds Series 2005	\$ 2,305,000	3.75% to 4.25%
General Purpose Obligation Bonds	1,015,000	1.2% to 3.55%
Ohio Public Works Loan-Water Treatment Plant	462,500	0.00%
Ohio Public Works Loan-NW Sanitary Sewer	127,594	0.00%
Ohio Public Works Loan-Hardin Creek	125,000	0.00%
Ohio Public Works Loan-Main Street	52,000	0.00%
Equipment Bond Anticipation Note	85,196	4.50%
Special Assessment Bonds	37,931	3.00 to 5.50%
Second National Bank Loan-Dump Trucks	20,169	3.72%
Total	<u>\$ 4,230,390</u>	

During 2005 the Village issued \$2,400,000 Various Purpose General Obligation Bonds Series 2005. Proceeds from the bonds were used to retire a \$1,850,000 Water System Improvement Bond Note, a \$250,000 Municipal Center General Obligation Note and a \$55,000 Bulldozer General Obligation Note with the balance of proceeds used for various purposes. Principal retirements during 2006 totaled \$95,000.

During 2003, the Village issued \$1,755,000 General Purpose Obligation Bonds. Proceeds from the bonds were used to retire \$1,420,000 of General Purpose Obligation Bonds originally issued in 1991 for the construction of a new wastewater treatment plant. Proceeds were also used for the purchase of the Village's Municipal Building. Principal retirements during 2006 and 2005 totaled \$190,000 and \$185,000, respectively.

During 2005 the Village received an interest free loan from the Ohio Public Works Commission totaling \$500,000 for the replacement of the water treatment plant. The loan requires semi-annual payments of \$12,500 through 2025. Principal retirements during 2006 and 2005 totaled \$25,000 and \$12,500, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$154,660 for the Northwest Sanitary Sewer Trunk project. The loan requires semi-annual payments of \$3,867 through 2023. Principal retirements during 2006 and 2005 totaled \$7,733 and \$7,733, respectively.

During 1997 the Village received an interest free loan from the Ohio Public Works Commission totaling \$250,000 for the Hardin Creek Water Line Improvement project. The loan requires semi-annual payments of \$6,250 through 2016. Principal retirements during 2006 and 2005 totaled \$12,500 and \$12,500, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$80,000 for the Main Street Reconstruction project. The loan requires semi-annual payments of \$4,000 through 2013. Principal retirements during 2006 and 2005 totaled \$8,000 and \$8,000, respectively.

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)**

During 2006, the Village issued an \$85,196 Equipment Acquisition Bond Anticipation Note for the acquisition of a Caterpillar Excavator. The note matures on October 13, 2007 and bears an interest rate of 4.5 percent.

In prior years the Village issued several separate special assessment bonds that bear interest rates from 3.0 to 5.5 percent for various sidewalk, street and downtown improvement projects. Principal retirements on all special assessment bonds during 2006 and 2005 totaled \$8,389 and \$13,591, respectively.

During 2004 the Village received a loan from the Second National Bank totaling \$151,333 that bears an interest rate of 3.72%, for the acquisition of two dump trucks. The loan requires monthly payments of \$3,398 through 2007. Principal retirements during 2006 and 2005 totaled \$39,231 and \$37,800, respectively.

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

Year	Various Purpose Obligation Bonds	General Purpose Obligation Bonds	OPWC Loans	Equipment Bond Anticipation Note	Special Assessments	Second National Bank
2007	\$ 194,081	\$ 220,138	\$ 53,233	\$ 89,030	\$ 8,979	\$ 20,378
2008	196,081	225,862	53,233	-	7,814	-
2009	192,669	220,562	53,233	-	4,708	-
2010	193,994	224,562	53,233	-	4,641	-
2011	190,144	222,632	53,233	-	3,231	-
2012-2016	931,169	-	238,165	-	9,689	-
2017-2021	809,463	-	163,665	-	-	-
2022-2025	641,150	-	99,099	-	-	-
Total	<u>\$ 3,348,751</u>	<u>\$ 1,113,756</u>	<u>\$ 767,094</u>	<u>\$ 89,030</u>	<u>\$ 39,062</u>	<u>\$ 20,378</u>

During 2005 the Village received an interest free loan from the Ohio Water Development Authority totaling \$25,000 for a water planning project. Principal retirements during 2006 and 2005 totaled \$22,500 and \$2,500, respectively.

During 2005, the Village issued a \$61,683 Equipment Acquisition Bond Anticipation Note for the acquisition of a front end loader. The note was retired in 2006.

In prior years, the Village issued the Industrial Park Acquisition Bonds for an industrial park project. The balance of the bonds outstanding of \$56,390 as of December 31, 2004 was retired in 2005.

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F Fund). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2006 and 2005, OPERS' members contributed 9 and 8.5 percent, respectively, of their gross wages. The Village contributed an amount equal to 13.70 and 13.55 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

9. INTERFUND TRANSACTIONS

The Village had the following interfund transactions for 2006 and 2005:

<u>Fund Type/Fund</u>	<u>2006</u>		<u>2005</u>	
	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$694,937	\$ -	\$607,553
Special Revenue Funds:				
Street Maintenance and Repair	475,000	-	400,000	-
Tree Commission	15,775	-	8,000	-
State Highway	-	-	2,350	-
Fire Levy Fund	-	165,000	-	80,000
Debt Service Funds:				
General Bond Retirement	400,072	-	288,364	-
Special Assessment Bond Retirement	-	-	4,000	-
Capital Projects Funds:				
Hardin Creek Improvement Fund	12,500	-	12,500	-
Industrial Park Fund	-	-	36,500	-
Fire Capital Fund	165,000	-	80,000	-
Enterprise funds:				
Water Improvement	-	136,900	-	69,351
Sewer Improvement	-	194,010	-	191,410
Storm Sewer	-	12,500	7,000	12,500
Parks	135,000	-	122,100	-
Total	<u>\$1,203,347</u>	<u>\$1,203,347</u>	<u>\$960,814</u>	<u>\$960,814</u>

Transfers from the General Fund to other funds were made to provide operating funds as needed. Transfers from the Fire Levy Fund were made to the Fire Capital Fund to provide levy proceeds for capita purchases. Transfers made from enterprise funds were for those funds' respective portion of principal and interest payments on debt being retired through the general Bond Retirement Fund.

10. 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, automobile, excess liability, crime, surety and bond, inland marine and other coverage, 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 COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2006 And 2005
(Continued)**

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Member's equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

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

11. LAND PURCHASE COMMITMENT

In 2006 the Village entered into an interest free real estate purchase agreement to acquire a commercial building and 2.5 acres from a local business. The purchase price was \$300,000 payable at \$100,000 on July 1, 2006, \$100,000 payable on January 2, 2007 and \$100,000 at the time of closing that is to be no later than January 31, 2008. As of December 31, 2006 the Village had paid \$200,000 due under the agreement. The Village anticipates closing on the property by January 31, 2008.

Bastin & Company, LLC

Certified Public Accountants

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*

The Honorable Members of Village Council
Village of Coldwater
610 West Sycamore Street
Coldwater, Ohio 45828

We have audited the accompanying financial statements of the Village of Coldwater, Mercer County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 9, 2007 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or 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 accounting practices the Auditor of State prescribes or permits 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 by 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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as described above

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-01, 2006-02 and 2006-03.

In addition, we noted other matters involving the internal control and its operations and compliance and other matters that we have reported to management of the Village in a separate letter date July 9, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, express no opinion on them.

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

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
July 9, 2007

**VILLAGE OF COLDWATER
MERCER COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number 2006-01

Noncompliance Citation

Ohio Rev. Code, Section 5705.10 provides that money paid into any fund shall be used only for purposes for which such fund is established. As of December 31, 2006, the Village had a deficit cash balance of \$37,809 in the Special Revenue, Street Maintenance and Repair Fund. As of December 31, 2005 this fund had a deficit cash balance of \$89,003. A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.

Village's Response

We agree with the citation. We would like to point out that while there was a deficit cash balance, it was done with the knowledge of Village Council. There were several major street projects that came together and unfortunately, the necessary cash flow in the Street M & R Fund did not exist. The decision then, was to either not do the projects, make numerous advances from several funds to the Street M & R Fund which would then require more than a dozen paybacks, or do the projects which improve the community and run the fund to a negative balance and then allow the fund to return to a normal condition in a couple of years.

The Street M & R deficit at the end of 2004 was \$222,171. This negative balance has been reduced to \$37,809 as of December 31, 2007 and will be completely eliminated in the future.

Finding Number 2006-02

Noncompliance Citation

Ohio Rev. Code, Section 5705.39 states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

Appropriations exceeded estimated resources in the following funds during 2005:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$1,520,889	\$1,521,803	(\$914)
Street Maintenance & Repair Fund	708,554	709,000	(446)
Fire Levy Fund	185,661	185,700	(39)
Industrial Development Fund	65,066	65,075	(9)
Storm Sewer Improvement Fund	33,102	39,110	(6,008)
Park Operations Fund	305,731	305,750	(19)

Village's Response

We agree with the citation. Final adjustments to appropriations were made without formally revising the certificate of estimated resources however, it should be noted that actual expenditures did not exceed actual funds available.

Finding Number 2006-03

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B) states that, “no subdivision or taxing unit is to expend money unless it has been appropriated”.

Expenditures exceeded appropriations in the Park Operations Fund by \$440 for 2006.

Village’s Response

We agree with the citation. A final adjustment to appropriations was incorrectly computed. It should be noted that actual expenditures did not exceed actual funds available.

**VILLAGE OF COLDWATER
MERCER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected	Comments
2004-01	Noncompliance Citation. ORC Section 5705.10. Negative Cash Balances.	No	While the Negative cash balance has improved, the condition remains as of December 31, 2006 and has been reissued as finding 2006-01
2004-02	Noncompliance Citation. ORC Section 5705.41B Expenditures exceeded appropriations.	No	The condition existed during 2006 for the Parks Operations Fund. and has been reissued as finding 2006-03



Mary Taylor, CPA
Auditor of State

VILLAGE OF COLDWATER

MERCER 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
NOVEMBER 8, 2007**