



Mary Taylor, CPA
Auditor of State

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 26, 2007

Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Caldwell Exempted Village School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the School District's basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- The assets of the School District exceeded its liabilities at the close of the fiscal year ended June 30, 2006 by \$7,490,455 (net assets). Of this amount, \$1,027,190 (unrestricted net assets) may be used to meet the School District's ongoing obligation to its students and creditors.
- Net assets of governmental activities decreased \$167,108 from fiscal year 2005.
- General revenues accounted for \$6,401,318 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,715,782 or 21 percent of total revenues of \$8,117,100.
- Total assets of governmental activities decreased by \$526,390 primarily due to a decrease in property taxes receivable. Another factor was the decrease in capital assets resulting from current year depreciation exceeding capital outlay.
- The School District had \$8,284,208 in expenses related to governmental activities; only \$1,715,782 of these expenses were offset by program specific charges for services and sales, grants, contributions, or interest. General revenues (primarily intergovernmental revenues and property taxes) of \$6,401,318 were not adequate enough to provide for these programs.
- The General Fund, the School District's only major fund, had \$6,731,016 in revenues and \$6,823,734 in expenditures. The General Fund's fund balance decreased to \$613,631 from \$728,193. At the end of the current fiscal year, unreserved undesignated fund balance for the General fund was \$150,963 which represents a 30 percent decrease from the prior year, and represents 2 percent of the total General Fund expenditures.
- At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$1,510,279. Of this amount, \$988,146 is available for spending (unreserved undesignated fund balance).

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Caldwell Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific financial activities and conditions.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's General Fund with all other nonmajor funds presented in total in one column. In the case of Caldwell Exempted Village School District, the General Fund is by far the most significant fund.

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Government-Wide Financial Statements

Statement of Net Assets and the Statement of Activities

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2005-2006 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes* in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors. In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the General Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Health Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

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Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005:

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets			
Current and Other Assets	\$5,615,089	\$5,819,234	(\$204,145)
Capital Assets	<u>6,027,176</u>	<u>6,349,421</u>	<u>(322,245)</u>
Total Assets	<u>11,642,265</u>	<u>12,168,655</u>	<u>(526,390)</u>
Liabilities			
Long-Term Liabilities	717,989	823,840	(105,851)
Other Liabilities	<u>3,433,821</u>	<u>3,687,252</u>	<u>(253,431)</u>
Total Liabilities	<u>4,151,810</u>	<u>4,511,092</u>	<u>(359,282)</u>
Net Assets			
Invested in Capital Assets Net of Debt	5,767,176	5,959,421	(192,245)
Restricted	696,089	719,872	(23,783)
Unrestricted	<u>1,027,190</u>	<u>978,270</u>	<u>48,920</u>
Total Net Assets	<u><u>\$7,490,455</u></u>	<u><u>\$7,657,563</u></u>	<u><u>(\$167,108)</u></u>

Total assets decreased \$526,390. The change is partially due to the decrease in property taxes receivable of \$265,646. At June 30, 2006, the School District had a fund balance in the Bond Retirement Debt Service Fund sufficient enough to pay future debt service requirements on the outstanding general obligation bonds. Therefore, the county auditor removed this tax levy from the tax duplicate. Also, the book value of capital assets decreased \$322,245. The decrease is due to depreciation expense exceeding current year acquisitions of capital assets. These decreases were offset by minimal increases in cash and cash equivalents and intergovernmental receivables.

Total liabilities decreased \$359,282, primarily due to the decrease in deferred revenue associated with the decreased property taxes receivable. Accrued wages and benefits payable decreased \$151,837 from fiscal year 2005. Due to the timing of pay period ending dates, there were fewer days of accrued wages at June 30, 2006. Additional decreases are due to the replacement of retired employees with new employees at a lower daily rate, or the elimination of positions through attrition.

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As noted earlier, net assets, when reviewed over time, may serve as a useful indicator of the School District's position. By far, the largest portion of the School District's net assets (77 percent) reflects its investment in capital assets, less any debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the School District's net assets, \$696,089 or 9 percent, represents resources that are subject to restrictions on how they can be used. The remaining balance of unrestricted net assets (14 percent) is to be used to meet the School District's ongoing obligations to students and creditors. In total, net assets decreased by \$167,108. This decrease can be attributed to the changes in assets and liabilities as stated earlier. Table 2 shows the changes in net assets for fiscal year 2006, and comparisons to fiscal year 2005.

Table 2
Changes in Net Assets

	Governmental Activities		
	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services	\$599,343	\$578,667	\$20,676
Operating Grants, Contributions, and Interest	1,096,140	1,016,515	79,625
Capital Grants, Contributions, and Interest	20,299	19,174	1,125
Total Program Revenues	<u>1,715,782</u>	<u>1,614,356</u>	<u>101,426</u>
General Revenues			
Property Taxes	2,087,119	2,231,531	(144,412)
Grants and Entitlements	4,106,933	4,117,783	(10,850)
Other	207,266	221,744	(14,478)
Total General Revenues	<u>6,401,318</u>	<u>6,571,058</u>	<u>(169,740)</u>
Total Revenues	<u>8,117,100</u>	<u>8,185,414</u>	<u>(68,314)</u>
Program Expenses			
Instruction			
Regular	3,635,095	3,732,090	(96,995)
Special	889,263	1,181,038	(291,775)
Vocational	124,691	175,605	(50,914)
Adult/Continuing	4,568	2,403	2,165
Support Services			
Pupils	394,337	434,706	(40,369)
Instructional Staff	348,399	366,830	(18,431)
Board of Education	51,007	50,503	504
Administration	679,068	678,596	472
Fiscal	279,502	271,293	8,209
Operation and Maintenance of Plant	519,007	585,792	(66,785)
Pupil Transportation	660,215	680,508	(20,293)

(continued)

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(continued)			
Central	0	242	(242)
Operation of Non-Instructional Services	422,270	410,174	12,096
Extracurricular Activities	252,005	248,014	3,991
Interest	<u>24,781</u>	<u>35,017</u>	<u>(10,236)</u>
Total Expenses	<u>8,284,208</u>	<u>8,852,811</u>	<u>(568,603)</u>
Change in Net Assets	(167,108)	(667,397)	500,289
Net Assets Beginning of Year	<u>7,657,563</u>	<u>8,324,960</u>	<u>(667,397)</u>
Net Assets End of Year	<u><u>\$7,490,455</u></u>	<u><u>\$7,657,563</u></u>	<u><u>(\$167,108)</u></u>

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Our school district, which is dependent upon property taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. The tax on the tangible personal property of general businesses, telephone and telecommunications companies, and railroads is being phased out beginning in tax year 2006 under the provisions of House Bill 66. The tax on general businesses and railroad property will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. At the same time, the bill replaces the revenue lost due to phasing out the tax. In the first five years, school districts are reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out. The reimbursement is based on using tax year 2004 as the base year for the calculation of reimbursements. Due to the reimbursement being based upon tax year 2004, and due to the eventual phase out of the reimbursements, the School District will experience a loss in overall revenues. The last successful operating levy renewal was passed in the March 2004 election.

Property taxes made up 26 percent of governmental activities revenues for Caldwell Exempted Village Schools in fiscal year 2006. Unrestricted grants and entitlements, which decreased by \$10,850, made up 51 percent of governmental activities revenues during fiscal year 2006.

The School District's direct charges to users of governmental activities made up \$599,343 or 7 percent of total governmental revenues. These charges are for fees for open enrollment, rent, and school supply sales. Operating grants, contributions, and interest were the largest program revenues, accounting for \$1,096,140 or 14 percent of total revenues. The major recipient of this revenue was the food service program as a result of federal and state receipts and commodities received to help support the School District's cafeteria operations.

As can be seen from Table 2, the change in net assets is minimal, a decrease of \$167,108. This is the result of the School District being able to match expenses with current revenue streams. Expenses have decreased by \$568,603 from fiscal year 2005. The decrease in expenses is associated with the decrease in liabilities as discussed earlier. The largest decrease in expenses is apparent in the special instruction program mostly resulting from attrition. The largest Governmental Activities program expense is regular instruction, which comprises 44 percent of expenses. Interest expense during fiscal year 2006 was \$24,781 and was attributable to the outstanding bonds for school improvements.

The Statement of Activities shows the cost of program services and the charges for services, grants,

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contributions, and interest earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction:				
Regular	\$3,635,095	\$3,195,925	\$3,732,090	\$3,318,805
Special	889,263	418,935	1,181,038	710,202
Vocational	124,691	107,597	175,605	147,725
Adult/Continuing	4,568	4,568	2,403	2,403
Support Services:				
Pupils	394,337	391,809	434,706	427,938
Instructional Staff	348,399	208,860	366,830	254,968
Board of Education	51,007	51,007	50,503	50,503
Administration	679,068	558,578	678,596	621,451
Fiscal	279,502	275,337	271,293	270,891
Operation and Maintenance of Plant	519,007	518,144	585,792	579,909
Pupil Transportation	660,215	632,608	680,508	650,920
Central	0	0	242	0
Operation of Non-Instructional Services	422,270	41,770	410,174	30,713
Extracurricular Activities	252,005	138,507	248,014	137,010
Interest	24,781	24,781	35,017	35,017
Total Expenses	<u>8,284,208</u>	<u>\$6,568,426</u>	<u>8,852,811</u>	<u>\$7,238,455</u>

The dependence upon tax revenues for governmental activities is apparent. Approximately 80 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. In other words, the focus on the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. All governmental funds had total revenues of \$7,978,563 and expenditures of \$8,177,209. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$114,562. This net change indicates that the School District was not able to meet current obligations with current resources. As of June 30, 2006, the School District's governmental funds reported a combined ending fund balance of \$1,510,279, a decrease of \$197,490 in comparison with the prior fiscal year. \$988,146, or 65 percent of total fund balance, constitutes unreserved undesignated fund balance, which is available for spending. The remainder of the fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior year (\$319,068), has been reserved for claimants (\$1,361), or has been reserved for a variety of other restricted purposes (\$161,704).

While the bulk of the governmental fund balances is not reserved in the governmental fund statements, they

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lead to restricted net assets on the Statement of Net Assets due to restrictions for use for a particular purpose mandated by the source of funding, such as tax levy language or underlying grant agreements.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund, however, there were no changes in total from the original to the final budgeted amounts.

For the General Fund, even though the budget basis revenues were \$405,880 above final budget estimates of \$6,457,967, the inadequate revenue for general fund operations is apparent from the net change in fund balance. This difference in the estimated amounts compared to the actual amounts was due to conservative estimates associated with property taxes.

The School District's General Fund ending unobligated cash balance was \$819,289 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$6,027,176 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures in governmental activities. See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2006 the School District had \$260,000 in bonds outstanding, with \$130,000 due within one year. See Note 15 for more detailed information on the School District's debt.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Charles Radcliff, Treasurer at Caldwell Exempted Village School District, 516 Fairground St., Caldwell, Ohio 43724.

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Management's Discussion and Analysis
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Caldwell Exempted Village School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,451,444
Cash and Cash Equivalents with Fiscal Agents	876,014
Accounts Receivable	2,437
Intergovernmental Receivable	158,673
Materials and Supplies Inventory	1,011
Inventory Held for Resale	8,747
Prepaid Items	17,978
Property Taxes Receivable	2,098,785
Nondepreciable Capital Assets	381,096
Depreciable Capital Assets, Net	5,646,080
Total Assets	11,642,265
 Liabilities	
Accounts Payable	82,790
Accrued Wages and Benefits Payable	799,559
Matured Compensated Absences Payable	42,734
Accrued Interest Payable	1,627
Intergovernmental Payable	239,299
Claims Payable	345,532
Deferred Revenue	1,922,280
Long-Term Liabilities:	
Due Within One Year	216,711
Due In More Than One Year	501,278
Total Liabilities	4,151,810
 Net Assets	
Invested in Capital Assets, Net of Related Debt	5,767,176
Restricted for:	
Capital Projects	16,177
Debt Service	305,251
Set Asides	70,854
Other Purposes	303,807
Unrestricted	1,027,190
Total Net Assets	\$7,490,455

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net Expense and Change in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,635,095	\$321,217	\$108,225	\$9,728	(\$3,195,925)
Special	889,263	0	470,328	0	(418,935)
Vocational	124,691	0	17,094	0	(107,597)
Adult/Continuing	4,568	0	0	0	(4,568)
Support Services:					
Pupils	394,337	0	2,528	0	(391,809)
Instructional Staff	348,399	0	139,539	0	(208,860)
Board of Education	51,007	0	0	0	(51,007)
Administration	679,068	0	120,490	0	(558,578)
Fiscal	279,502	0	4,165	0	(275,337)
Operation and Maintenance of Plant	519,007	223	0	640	(518,144)
Pupil Transportation	660,215	0	17,676	9,931	(632,608)
Operation of Non-Instructional Services:					
Food Service Operations	379,307	141,412	206,978	0	(30,917)
Other Non-Instructional Services	42,963	32,110	0	0	(10,853)
Extracurricular Activities	252,005	104,381	9,117	0	(138,507)
Interest and Fiscal Charges	24,781	0	0	0	(24,781)
Total Governmental Activities	\$8,284,208	\$599,343	\$1,096,140	\$20,299	(6,568,426)
General Revenues					
Property Taxes Levied for:					
					2,006,285
					48,821
					32,013
					4,106,933
					117,038
					3,080
					1,156
					85,992
					<u>6,401,318</u>
					Change in Net Assets (167,108)
					<u>Net Assets Beginning of Year 7,657,563</u>
					<u>Net Assets End of Year \$7,490,455</u>

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,411,769	\$967,460	\$2,379,229
Materials and Supplies Inventory	0	1,011	1,011
Inventory Held for Resale	0	8,747	8,747
Accounts Receivable	1,995	442	2,437
Intergovernmental Receivable	0	158,673	158,673
Prepaid Items	17,978	0	17,978
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	72,215	0	72,215
Property Taxes Receivable	2,058,960	39,825	2,098,785
Total Assets	\$3,562,917	\$1,176,158	\$4,739,075
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$65,728	\$17,062	\$82,790
Accrued Wages and Benefits Payable	694,133	105,426	799,559
Matured Compensated Absences Payable	42,734	0	42,734
Intergovernmental Payable	176,861	62,438	239,299
Deferred Revenue	1,969,830	94,584	2,064,414
Total Liabilities	2,949,286	279,510	3,228,796
Fund Balances			
Reserved for Encumbrances	261,323	57,745	319,068
Reserved for Unclaimed Monies	1,361	0	1,361
Reserved for Budget Stabilization	28,284	0	28,284
Reserved for Textbooks and Instructional Materials	42,570	0	42,570
Reserved for Property Taxes	89,130	1,720	90,850
Unreserved:			
Designated for Budget Stabilization	40,000	0	40,000
Undesignated, Reported in:			
General Fund	150,963	0	150,963
Special Revenue Funds	0	233,144	233,144
Debt Service	0	306,878	306,878
Capital Projects Funds	0	297,161	297,161
Total Fund Balances	613,631	896,648	1,510,279
Total Liabilities and Fund Balances	\$3,562,917	\$1,176,158	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			6,027,176
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:			
	Property Taxes	85,655	
	Grants	56,479	
	Total		142,134
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			530,482
Long-term liabilities and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:			
	General Obligation Bonds	(260,000)	
	Compensated Absences	(457,989)	
	Accrued Interest Payable	(1,627)	
	Total		(719,616)
Net Assets of Governmental Activities			\$7,490,455

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$1,996,425	\$89,559	\$2,085,984
Intergovernmental	4,307,373	853,718	5,161,091
Interest	93,228	683	93,911
Tuition and Fees	321,166	0	321,166
Extracurricular Activities	0	104,381	104,381
Rentals	223	0	223
Charges for Services	51	141,412	141,463
Contributions and Donations	550	8,776	9,326
Payments in Lieu of Taxes	3,080	0	3,080
Miscellaneous	8,920	49,018	57,938
Total Revenues	<u>6,731,016</u>	<u>1,247,547</u>	<u>7,978,563</u>
Expenditures			
Current:			
Instruction:			
Regular	3,424,094	155,176	3,579,270
Special	616,908	267,126	884,034
Vocational	113,876	0	113,876
Adult/Continuing	4,568	0	4,568
Support Services:			
Pupils	348,565	41,216	389,781
Instructional Staff	208,328	134,430	342,758
Board of Education	48,635	0	48,635
Administration	556,007	97,980	653,987
Fiscal	264,961	6,868	271,829
Operation and Maintenance of Plant	491,512	951	492,463
Pupil Transportation	599,416	8,303	607,719
Operation of Non-Instructional Services:			
Food Service Operations	0	371,004	371,004
Other Non-Instructional Services	3,796	8	3,804
Extracurricular Activities	137,062	106,175	243,237
Capital Outlay	6,006	8,644	14,650
Debt Service:			
Principal Retirement	0	130,000	130,000
Interest and Fiscal Charges	0	25,594	25,594
Total Expenditures	<u>6,823,734</u>	<u>1,353,475</u>	<u>8,177,209</u>
Excess of Revenues Under Expenditures	<u>(92,718)</u>	<u>(105,928)</u>	<u>(198,646)</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	1,156	0	1,156
Transfers In	0	23,000	23,000
Transfers Out	(23,000)	0	(23,000)
Total Other Financing Sources (Uses)	<u>(21,844)</u>	<u>23,000</u>	<u>1,156</u>
Net Change in Fund Balances	(114,562)	(82,928)	(197,490)
Fund Balances Beginning of Year	<u>728,193</u>	<u>979,576</u>	<u>1,707,769</u>
Fund Balances End of Year	<u>\$613,631</u>	<u>\$896,648</u>	<u>\$1,510,279</u>

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds (\$197,490)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

	Capital Asset Additions	22,850	
	Current Year Depreciation	<u>(345,095)</u>	(322,245)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

	Grants	52,272	
	Delinquent Property Taxes	<u>1,135</u>	53,407

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 130,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 813

Expenses resulting from compensated absences in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (24,149)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net change of the internal service fund is reported with governmental activities. 192,556

Change in Net Assets of Governmental Activities (\$167,108)

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,880,428	\$1,879,688	\$2,131,312	\$251,624
Intergovernmental	4,224,789	4,230,301	4,305,976	75,675
Interest	45,050	45,050	95,944	50,894
Tuition and Fees	293,600	293,600	320,856	27,256
Rentals	1,300	1,300	223	(1,077)
Charges for Services	0	51	51	0
Contributions and Donations	0	0	550	550
Payments in Lieu of Taxes	4,800	4,800	3,080	(1,720)
Miscellaneous	8,000	3,177	5,855	2,678
Total Revenues	6,457,967	6,457,967	6,863,847	405,880
Expenditures				
Current:				
Instruction:				
Regular	3,539,936	3,539,936	3,456,712	83,224
Special	891,073	891,073	788,348	102,725
Vocational	134,159	134,159	116,522	17,637
Adult/Continuing	3,000	3,000	4,568	(1,568)
Support Services:				
Pupils	360,186	360,186	360,421	(235)
Instructional Staff	284,510	284,510	219,768	64,742
Board of Education	66,544	66,544	60,853	5,691
Administration	610,395	610,395	594,019	16,376
Fiscal	277,347	277,347	274,601	2,746
Operation and Maintenance of Plant	553,319	553,319	515,324	37,995
Pupil Transportation	608,159	608,159	699,984	(91,825)
Operation of Non-Instructional Services	438	5,428	4,983	445
Extracurricular Activities	148,214	148,214	138,340	9,874
Capital Outlay	6,006	6,006	6,006	0
Total Expenditures	7,483,286	7,488,276	7,240,449	247,827
Excess of Revenues Over (Under) Expenditures	(1,025,319)	(1,030,309)	(376,602)	653,707
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	0	17,107	17,107
Proceeds from Sale of Capital Assets	0	0	1,156	1,156
Advances In	0	0	25,052	25,052
Refund of Prior Year Receipts	0	0	(743)	(743)
Other Financing Uses	(125,000)	(120,010)	0	120,010
Transfers Out	(26,000)	(26,000)	(23,000)	3,000
Total Other Financing Sources (Uses)	(151,000)	(146,010)	19,572	165,582
Net Change in Fund Balance	(1,176,319)	(1,176,319)	(357,030)	819,289
Fund Balance Beginning of Year	1,208,405	1,208,405	1,208,405	0
Prior Year Encumbrances Appropriated	278,597	278,597	278,597	0
Fund Balance End of Year	\$310,683	\$310,683	\$1,129,972	\$819,289

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Statement of Fund Net Assets
Health Self-Insurance Internal Service Fund
June 30, 2006

Current Assets

Cash and Cash Equivalents with Fiscal Agents \$876,014

Total Assets 876,014

Current Liabilities

Claims Payable 345,532

Total Liabilities 345,532

Net Assets

Unrestricted \$530,482

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2006

Operating Revenues	
Charges for Services	\$1,528,522
Miscellaneous	28,054
	<u>28,054</u>
 Total Operating Revenues	 <u>1,556,576</u>
 Operating Expenses	
Purchased Services	313,254
Claims	1,074,576
	<u>1,074,576</u>
 Total Operating Expenses	 <u>1,387,830</u>
 Operating Income	 <u>168,746</u>
 Non-Operating Revenues	
Interest	23,810
	<u>23,810</u>
 Total Non-Operating Revenues	 <u>23,810</u>
 Change in Net Assets	 <u>192,556</u>
 Net Assets Beginning of Year	 <u>337,926</u>
 Net Assets End of Year	 <u>\$530,482</u>

See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Statement of Cash Flows
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2006

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$1,528,522
Other Cash Receipts	28,054
Cash Payments for Goods and Services	(313,254)
Cash Payments for Claims	<u>(1,118,127)</u>

Net Cash Provided by Operating Activities	125,195
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Cash Flows from Investing Activities

Interest on Investments	<u>23,810</u>
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Net Increase in Cash and Cash Equivalents	149,005
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Cash and Cash Equivalents Beginning of Year	<u>727,009</u>
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Cash and Cash Equivalents End of Year	<u><u>\$876,014</u></u>
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**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income	\$168,746
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Decrease in Claims Payable	<u>(43,551)</u>
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Net Cash Provided by Operating Activities	<u><u>\$125,195</u></u>
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See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$23,521</u></u>
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Liabilities

Due to Students	<u><u>\$23,521</u></u>
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See accompanying notes to the basic financial statements.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 1 - Description of the School District and Reporting Entity

Caldwell Exempted Village School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and federal agencies.

The School District is located in Caldwell, Ohio, in Noble County and also consists of Aurelius Township in Washington County. The Board of Education controls the School District's three instructional/support facilities staffed by 44 classified employees, 69 certificated full-time teaching personnel and 5 administrators who provide services to 946 students and other community members. The School District is the 487th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Caldwell Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Mid-East Career and Technology Centers, the East Central Ohio Special Education Regional Resource Center (ECO SERRC), the Coalition of Rural and Appalachian Schools, and the Ohio Coalition of Equity and Adequacy of School Funding which are defined as jointly governed organizations; the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan and the Ohio School Plan (OSP), which are defined as group insurance purchasing pools; the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a claims servicing pool; and is associated with the Caldwell Public Library which is defined as a Related Organization. Additional information concerning these organizations is presented in Notes 16 and 17.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and internal service fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide 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.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District 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" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by fees and charges) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the School District's only major governmental fund:

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Health Self-Insurance Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee medical, vision, prescription drug, and dental claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected in the financial statements as "Cash and Cash Equivalents with Fiscal Agents".

During fiscal year 2006, the School District's investments were limited to federal agency securities, negotiable certificates of deposit, and STAROhio. Federal agency securities and negotiable certificates of deposit are reported at fair value based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$93,228, which includes \$34,448 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20-50 Years
Vehicles	3-15 Years
Machinery, Equipment, Furniture and Fixtures	5-25 Years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. A liability is recorded for vacation eligible employees after one year service with the School District.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees having at least ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, termination benefits, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds are recognized as a liability on the governmental fund financial statements when due.

L. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization, unclaimed monies, and textbooks and instructional materials. See Note 19 for additional information regarding set asides.

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance is divided into 2 components. The first component, undesignated fund balance, indicates that portion of fund equity which is available for appropriation in future periods. The second component, designated fund balance, indicates that portion segregated by the School District for the accumulation of resources. Fund equity reserves have been established for encumbrances, unclaimed monies, budget stabilization, textbook and instructional materials, and property taxes.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for textbook and instructional materials represents amounts required to be set-aside by statute for the purchase of textbook and instructional materials. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

The School District has a designation of unreserved fund balance on the balance sheet for additional money set-aside by the Board of Education above the reserve for budget stabilization required by State statute.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include food service operations, instructional and support services activities, and resources of state and federal grants restricted for specified purposes. The government-wide statement of net assets reports \$696,089 of restricted net assets. Of the restricted net assets no amount has been restricted by enabling legislation.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

S. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are not intended to be repaid.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from the prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

Note 3 - Change in Accounting Principles

For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements as of June 30, 2005.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements as of June 30, 2005.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 4 - Accountability

At June 30, 2006, the following funds had deficit fund balances:

<u>Special Revenue Funds</u>	<u>Amount</u>
Student Reading Intervention	\$70
Poverty Based Assistance	7,629
Title I	5,360
Preschool Grant	1,634

These deficits are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash and fair market value adjustments represent amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance

GAAP Basis	(\$114,562)
Net Adjustment for Revenue Accruals	147,222
Increase in Fair Market Value of Investments - Fiscal Year 2005	1,926
Decrease in Fair Market Value of Investments - Fiscal Year 2006	790
Fiscal Year 2005 Prepaid Items	120,968
Fiscal Year 2006 Prepaid Items	(17,978)
Net Adjustment for Expenditure Accruals	(165,646)
Advances Out	25,052
Encumbrances	(354,802)
Budget Basis	<u><u>(\$357,030)</u></u>

Note 6 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District 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 Board of Education 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 School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2006, the School District's internal service fund had a balance of \$876,014 with OME-RESA, a claims servicing pool (See Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Investments As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity	Percent of Total Investments	Ratng	Rating Agency
Federal Home Loan Bank Agency Note	\$149,345	11/28/2006	11.33%	Aaa/AAA	Moody's/S&P
Federal Home Loan Bank Agency Note	149,438	7/30/2007	11.34%	Aaa/AAA	Moody's/S&P
Federal Home Loan Bank Agency Discount Note	214,441	7/21/2006	16.28%	Aaa/AAA	Moody's/S&P
Federal Home Loan Mortgage Corporation Agency Discount Note	509,604	2/16/2007-5/02/2007	38.67%	Aaa/AAA	Moody's/S&P
Federal National Mortgage Association Agency Discount Note	195,040	12/20/2006	14.80%	Aaa/AAA	Moody's/S&P
First American Treasury Money Market Fund	1,006	7/01/2006	0.08%	N/A	N/A
Negotiable Certificate of Deposit	98,865	8/11/2006	7.50%	N/A	N/A
Star Ohio	1,083,120	Average 34.77 days	N/A	AAAm	S&P
Total	<u>\$2,400,859</u>				

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Interest Rate Risk. The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sell negotiable instruments prior to maturity in accord with the law. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit are exposed to custodial credit risk in that they are held by the counterparty's trust department or agency but not in the School District's name. The Federal Home Loan Bank Corporate Bond, Federal Home Loan Bank Agency Note, Federal Home Loan Bank Step Agency Note, Federal Home Loan Bank Agency Discount Note, and Federal Home Loan Mortgage Corporate Agency Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of total investments is listed in the table above.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax collections are received by the School District in the second half of the fiscal year. Second-half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Tangible personal property tax revenue received in calendar 2006 (other than public utility property tax) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments made by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Caldwell Exempted Village School District. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2006 are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2006, \$89,130 was available as an advance in the General Fund and \$1,720 was available to the Classroom Facilities Special Revenue Fund. The amount available as an advance at June 30, 2005, was \$224,017 in the General Fund, \$4,306 in the Classroom Facilities Special Revenue Fund, and \$23,158 in the Bond Retirement Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$67,896,690	71.82%	\$73,320,420	77.66%
Public Utility Personal	12,279,160	12.99%	11,191,930	11.85%
General Business Personal	14,357,570	15.19%	9,899,670	10.49%
Total	<u>\$94,533,420</u>	<u>100.00%</u>	<u>\$94,412,020</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$34.20		 \$31.70	

The decrease in the tax rate is due to the elimination of a levy passed for the retirement of the School District's outstanding bond issue. The current balance in the Bond Retirement Debt Service Fund is sufficient enough to retire the outstanding balance of the bonds.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 8 - Receivables

Receivables at June 30, 2006, consisted of property taxes, accounts (billings for user charged services and student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Lunch and Breakfast Reimbursements	\$19,228
Title V	219
Ohio READS	6,500
Special Idea Part B Grant	95,550
Title IIA Grant	8,531
Title I	19,760
Drug Free Grant	3,818
Early Childhood Special Education	509
Title VII-D	4,558
Total	\$158,673

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Nondepreciable Capital Assets				
Land	\$381,096	\$0	\$0	\$381,096
Depreciable Capital Assets				
Buildings and Improvements	9,426,562	13,822	0	9,440,384
Vehicles	1,153,986	1,351	(37,617)	1,117,720
Machinery, Equipment, Furniture, and Fixtures	1,246,588	7,677	(1,274)	1,252,991
Total Capital Assets Being Depreciated	11,827,136	22,850	(38,891)	11,811,095
Less Accumulated Depreciation:				
Buildings and Improvements	(3,854,271)	(222,977)	0	(4,077,248)
Vehicles	(937,654)	(64,215)	37,617	(964,252)
Machinery, Equipment, Furniture, and Fixtures	(1,066,886)	(57,903)	1,274	(1,123,515)
Total Accumulated Depreciation	(5,858,811)	(345,095) *	38,891	(6,165,015)
Total Capital Assets Being Depreciated, Net	5,968,325	(322,245)	0	5,646,080
Governmental Activities Capital Assets, Net	\$6,349,421	(\$322,245)	\$0	\$6,027,176

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$107,100
Special	35,540
Vocational	26,575
Support Services:	
Pupils	8,704
Instructional Staff	15,711
Board of Education	2,372
Administration	17,646
Fiscal	4,731
Operation and Maintenance of Plant	36,631
Pupil Transportation	69,922
Non-Instructional Services - Food Service Operations	13,936
Extracurricular Activities	6,227
Total Governmental Depreciation	<u>\$345,095</u>

Note 10 - Interfund Transfers

A transfer was made during fiscal year 2006 for \$23,000 to the Food Service Special Revenue Fund from the General Fund. This transfer was made to move unrestricted balances to support this non-instructional program accounted for in a separate fund.

Note 11 - Risk Management

A. Property and Liability

The School District 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. During fiscal year 2006, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). In addition, the School District contracted with Westfield Insurance Company for building, personal property, employee dishonesty, and equipment insurance. During fiscal year 2006, the School District purchased the following coverage:

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Ohio School Plan

Fleet Insurance:

Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$50,000	any one accident
Comprehensive	actual cash value	Buses - \$1,000 deductible Other Autos \$250 deductible
Collision	actual cash value	Buses - \$1,000 deductible Other Autos \$500 deductible
Towing and Labor	actual cash value	\$50 deductible
Hired or Borrowed Vehicles	actual cash value	\$250 deductible

Liability Coverages:

General Liability Aggregate Limit	\$3,000,000	
Employee Liability Coverage Aggregate Limit	\$3,000,000	
Employers' Liability Each Accident	\$1,000,000	
Errors and Omissions Aggregate Limit	\$3,000,000	\$2,500 deductible
Employment Practices Injury Aggregate Limit	\$3,000,000	\$2,500 deductible
Violence Coverage Aggregate Limit	\$500,000	

Westfield Insurance Company

Building and personal property	\$19,727,000	\$1,000 deductible
Football uniforms and equipment	\$25,000	\$500 deductible
Musical Instruments and related equipment	\$170,000	\$500 deductible
Employee Dishonesty	\$10,000	\$500 deductible

Hartford Steam Boiler Insurance Company

Equipment Breakdown Limit	\$8,850,000	\$1,000 deductible
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Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

B. Workers' Compensation

For fiscal year 2006, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Medical/Surgical, Dental, Vision, and Prescription Drug Insurances

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays all but \$15 per month for classified employees and \$25 per month for certified employees in premiums for basic medical insurance. In addition, the School District pays the entire premium for dental and prescription drug coverage and also covers one-half of the cost of vision insurance for all employees. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$345,532 reported in the internal service fund at June 30, 2006, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims incurred beyond \$250,000 for any covered individual is reimbursed by the External Pool stop loss carrier to the maximum limit of \$1,148,789.

Changes in the fund's claims liability amount in 2005 and 2006 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2005	\$328,255	\$1,433,641	\$1,372,813	\$389,083
2006	389,083	1,074,576	1,118,127	345,532

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on a eleven or twelve month basis earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than an eleven or twelve month basis do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 235 days for certified employees and up to 220 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 45 days plus one additional day for every three years spent in the School District. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to 34 total paid days plus one and one-half days for every three years of continuous employment leading up to retirement.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to employees through Fort Dearborn Life Insurance Company in the amount of \$5,000 for classified employees and \$15,000 for certified employees.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$96,364, \$95,696, and \$81,165, respectively; 54 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$425,672, \$433,823, and \$432,718 respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$637 made by the School District and \$6,929 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, there are no employees who have elected Social Security.

Note 14 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$32,744 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$49,366.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

Note 15 - Long Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding		Outstanding		Amounts
	06/30/05	Additions	Reductions	06/30/06	Due Within
					One Year
Governmental Activities:					
General Obligation Bonds:					
1987 7.875% School Improvement	\$390,000	\$0	(\$130,000)	\$260,000	\$130,000
Compensated Absences	433,840	39,296	(15,147)	457,989	86,711
Total Governmental Activities					
Long-Term Liabilities	\$823,840	\$39,296	(\$145,147)	\$717,989	\$216,711

The 1987 School Improvement Bonds were originally issued in the amount of \$2,750,000 for the purpose of constructing a new elementary school, remodeling, renovating, furnishing, equipping, and otherwise improving existing school buildings and acquiring and improving school sites. These general obligation bonds will be paid from the Bond Retirement Debt Service Fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service, IDEA Part B, Poverty Based Assistance, and Title I Special Revenue Funds.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$130,000	\$15,356	\$145,356
2008	130,000	5,119	135,119
Total	\$260,000	\$20,475	\$280,475

The overall debt margin of the School District as of June 30, 2006, was \$8,803,960, with an unvoted debt margin of \$94,412.

Note 16 - Jointly Governed Organizations and Public Entity Risk Pools

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA includes school districts from 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, legal services, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payment for the various computer services to OME-RESA in fiscal year 2006 was \$25,345. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The **Mid-East Career and Technology Centers** is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 14 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Joint Vocational School District. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The **East Central Ohio Special Education Regional Resource Center (ECO SERRC)** is a special education regional resource center which selects its own advisory board, adopts its own budget, recommends employment through its fiscal agent, establishes policy, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by an advisory board that operates under guidelines developed by the Office for Exceptional Children at the Ohio Department of Education and consists of one or more superintendents from each of the 10 counties in the region and two parents. The advisory board may also include one representative from the county boards of mental retardation and developmental disabilities, a representative from an institution of higher education, and others at the discretion of the Advisory Board. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2006, the School District paid \$1,427 to ECO SERRC. Financial information can be obtained by contacting ECO SERRC's fiscal agent, Julie Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 834 East High Avenue, New Philadelphia, Ohio 44663.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. The board members consist of one member elected and one member appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from the Ohio University College of Education. The Coalition provides various in-service functions for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2006, the School District paid \$300 to the Coalition.

The **Ohio Coalition of Equity and Adequacy of School Funding** is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2006, the School District paid \$461 to the Coalition.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

B. Public Entity Risk Pools

Group Insurance Purchasing Pools The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee for fiscal year 2006 was \$2,478.

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Claims Servicing Pool The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Director's elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

Note 17 - Related Organization

The **Caldwell Public Library** is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Caldwell Exempted Village School District as presented by the Library. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Caldwell Public Library, at 517 Spruce Street, P.O. Box 230, Caldwell, Ohio 43724-0230.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

The School District is currently not a party to any legal proceedings.

Note 19 - Set-Asides

The School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve.

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2005	(\$16)	\$0	\$28,284
Current year set-aside requirement	126,623	126,623	0
Current year offsets	0	(38,416)	0
Qualifying disbursements	(84,037)	(113,331)	0
Total	\$42,570	(\$25,124)	\$28,284
Set-aside balance carried forward to future fiscal years	\$42,570	\$0	\$28,284
Set-aside reserve balance as of June 30, 2006	\$42,570	\$0	\$28,284

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The School District did not expend the total requirement during fiscal year 2006 for the textbooks and instructional materials set-aside. This amount must be added to the set-aside requirement of future years. The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for capital improvements set-aside. This extra amount may not be carried forward for capital improvements of future years. The budget reserve set-aside amount represents a Bureau of Workers' Compensation rebate from 1998.

CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$ 0	\$ 20,261	\$ 0	\$ 20,261
Nutrition Cluster:						
School Breakfast Program	05-PU-2005	10.553	12,321		12,321	
	05-PU-2006		45,312		45,312	
Total School Breakfast Program			57,633	0	57,633	0
National School Lunch Program	LL-P4-2005	10.555	23,431		23,431	
	LL-P4-2006		80,792		80,792	
Total National School Lunch Program			104,223	0	104,223	0
Total Nutrition Cluster			161,856	0	161,856	0
Total United States Department of Agriculture			161,856	20,261	161,856	20,261
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title 1 Grants to Local Educational Agencies	C1-S1-2005	84.010	5,828		9,679	
	C1-S1-2006		169,538		147,955	
Total Title 1 Grants to Local Educational Agencies			175,366	0	157,634	0
Special Education Cluster:						
Special Education - Grants to States	6B-SF-2005	84.027	56,538		67,089	
	6B-SF-2006		200,798		178,621	
Total Special Education - Grants to States			257,336	0	245,710	0
Special Education - Preschool Grants	PG-S1-2005	84.173	4,124		4,759	
	PG-S1-2006		12,674		11,521	
Total Special Education - Preschool Grants			16,798		16,280	
Total Special Education Cluster			274,134	0	261,990	0
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-2005	84.186	760		4,334	
	DR-S1-2006		3,484		2,370	
Total Safe and Drug-Free Schools and Communities - State Grants			4,244	0	6,704	0
State Grants for Innovative Programs	C2-S1-2005	84.298	2,082		2,603	
	C2-S1-2006		3,711		3,711	
Total State Grants for Innovative Programs			5,793	0	6,314	0
Education Technology State Grants	TJ-S1-2005	84.318	4,924		5,616	
	TJ-S1-2006		1,022		314	
Total Education Technology State Grants			5,946	0	5,930	0
Improving Teacher Quality State Grants	TR-S1-2005	84.367	5,926		10,181	
	TR-S1-2006		56,379		53,848	
Total Improving Teacher Quality State Grants			62,305	0	64,029	0
Total United States Department of Education			527,788	0	502,601	0
UNITED STATES DEPARTMENT OF HOMELAND SECURITY						
<i>Passed through the Ohio Emergency Management Agency:</i>						
Public Assistance Grants	FEMA-1556-DR-121-013B2	97.036			1,372	
Total United States Department of Homeland Security			0	0	1,372	0
Total Federal Awards Receipts and Expenditures			\$ 689,644	\$ 20,261	\$ 665,829	\$ 20,261

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – TRANSFERS

During fiscal year 2006, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the carryovers is as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.027	Special Education - Grants to States	6BSF-2005	\$ 6	
84.027	Special Education - Grants to States	6BSF-2006		\$ 6
84.318	Education Technology - State Grants	TJS1-2005	677	
84.318	Education Technology - State Grants	TJS1-2006		677
84.367	Improving Teacher Quality State Grants	TRS1-2005	451	
84.367	Improving Teacher Quality State Grants	TRS1-2006		451
Totals			<u>\$ 1,134</u>	<u>\$ 1,134</u>



Mary Taylor, CPA

Auditor of State

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

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 26, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated February 26, 2007, we reported other matters involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Caldwell Exempted Village School District
Noble County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 26, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Caldwell Exempted Village School District
Noble County
516 Fairground Street
Caldwell, Ohio 43724

To the Board of Education:

Compliance

We have audited the compliance of Caldwell Exempted Village School District, Noble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

The accompanying Schedule of Findings replaces the Schedule for the School District's fiscal year ended June 30, 2006, previously issued with our report dated February 26, 2007. The Schedule was revised to include the Special Education Cluster (CFDA #84.027 and 84.173) as a major program.

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

Mary Taylor, CPA
Auditor of State

February 26, 2007, except as to the information presented in the Schedule of Findings, Summary of Auditor's Results, Major Programs, for which the date is December 3, 2007

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I – CFDA #84.010; Special Education Cluster – CFDA #84.027 & 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT

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
JANUARY 3, 2008**