

Village of Caldwell
Audited Financial Statements

December 31, 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Caldwell, Noble County, prepared by Rea & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 10, 2008

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VILLAGE OF CALDWELL
NOBLE COUNTY

DECEMBER 31, 2007

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 6, 2008

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caldwell, Noble County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caldwell, Noble County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

Mayor and Members of Council
Village of Caldwell
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June 6, 2008
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In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2008 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Hea & Associates, Inc.

Village of Caldwell
Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2007

This discussion and analysis of the Village of Caldwell's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitation of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased \$53,126, or 2.6 percent from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Street Construction Fund due to the payment of \$54,592 for the local share of the Issue 2 street paving project in 2007; however, cost increases affected most funds.

The Village's general receipts are primarily property taxes, intergovernmental revenues (which include local government and state and federal grants) and investment income. These receipts represent respectively 7.00, 4.67 and 38.17 percent of the total cash received for governmental activities during the year. Property taxes for 2007 changed very little compared to 2006 as development within the Village has slowed.

The Village's business-type activities receipts are primarily water and sewer collections for charges for service. These receipts in water operations increased approximately 22.26% and the sewer operations increased approximately 16.08%. The Board of Public Affairs has increased the rates for water and sewer usage.

Using the Basic Financial Statements

The annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund Financial Statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Caldwell
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Management's Discussion and Analysis
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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property, local government taxes and investments.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets, state highways, cemetery and parks. State and federal grants and property and local government taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

Village of Caldwell
Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Government's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and Issue II Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the Village's fund financial statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has several major enterprise funds, the Water Operating Fund, Sewer Operating Fund, Water Works Construction Fund, Sewer Construction & Improvement Fund, Sewer Equipment & Replacement Fund, the Sewer Debt Service Fund and the Wastewater Treatment Plant Headworks Replacement Fund.

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---------------------------|--------------------------------|----------------------|---------------------------------|---------------------|---------------------|----------------------|
| | <u>2007</u> | <u>Restated 2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>Restated 2006</u> |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ 1,975,069 | \$ 2,028,195 | \$ 2,660,523 | \$ 2,426,015 | \$ 4,635,592 | \$ 4,454,210 |
| Total Assets | <u>\$ 1,975,069</u> | <u>\$ 2,028,195</u> | <u>\$ 2,660,523</u> | <u>\$ 2,426,015</u> | <u>\$ 4,635,592</u> | <u>\$ 4,454,210</u> |
| Net Assets | | | | | | |
| Restricted for | | | | | | |
| Debt Service | \$ 0 | \$ 0 | \$ 593,068 | \$ 567,705 | \$ 593,068 | \$ 567,705 |
| Capital Projects | 0 | 0 | 0 | 1,578 | 0 | 1,578 |
| Expendable Trust | 15,071 | 11,735 | 0 | 0 | 15,071 | \$ 11,735 |
| Non-Expendable Trust | 84,530 | 84,280 | 0 | 0 | 84,530 | 84,280 |
| Other Purposes | 270,232 | 264,958 | 34,506 | 33,657 | 304,738 | 298,615 |
| Unrestricted | <u>1,605,236</u> | <u>1,667,222</u> | <u>2,032,949</u> | <u>1,823,075</u> | <u>3,638,185</u> | <u>3,490,297</u> |
| Total Net Assets | <u>\$ 1,975,069</u> | <u>\$ 2,028,195</u> | <u>\$ 2,660,523</u> | <u>\$ 2,426,015</u> | <u>\$ 4,635,592</u> | <u>\$ 4,454,210</u> |

As mentioned previously, net assets of governmental activities decreased \$ 53,126 or 2.6 percent during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

The General Fund did not receive the revenue to sustain the amount needed for operations in the General Fund. The Village Council is working on implementing a 1% local income tax to help the General Fund.

The Mayor also froze wages, benefits, hiring and major purchases for 2007 to try and help the General Fund recover.

Village of Caldwell
Noble County
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2007 for governmental activities, business-type activities and total primary government.

(Table 2)
Changes in Net Assets

| | Governmental Activities | | Business Type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|---------------------|-------------------|---------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Receipts: | | | | | | |
| Program Receipts: | | | | | | |
| Charges for Services and Sales | \$ 5,935 | \$ 32,344 | \$ 1,899,067 | \$ 1,740,327 | \$ 1,905,002 | \$ 1,772,671 |
| Operating Grants and Contributions | 104,754 | 95,733 | 0 | 0 | 104,754 | 95,733 |
| Operating Grants and Contributions | 153,139 | 0 | 9,434 | 399,725 | 162,573 | 399,725 |
| Total Program Receipts | 263,828 | 128,077 | 1,908,501 | 2,140,052 | 2,172,329 | 2,268,129 |
| General Receipts: | | | | | | |
| Property and Other Local Taxes | 37,517 | 38,579 | 0 | 0 | 37,517 | 38,579 |
| Grants and Entitlements Not Restricted to Specific Programs | 24,975 | 26,383 | 0 | 0 | 24,975 | 26,383 |
| Interest | 204,641 | 173,907 | 0 | 0 | 204,641 | 173,907 |
| Miscellaneous | 5,191 | 5,579 | 7,760 | 0 | 12,951 | 5,579 |
| Total General Receipts | 272,324 | 244,448 | 7,760 | 0 | 280,084 | 244,448 |
| Total Receipts | 536,152 | 372,525 | 1,916,261 | 2,140,052 | 2,452,413 | 2,512,577 |
| Disbursements: | | | | | | |
| General Government | 85,273 | 86,536 | 0 | 0 | 85,273 | 86,536 |
| Security of Persons and Property: | 117,788 | 116,953 | 0 | 0 | 117,788 | 116,953 |
| Public Health Services | 2,843 | 2,606 | 0 | 0 | 2,843 | 2,606 |
| Leisure Time Activity | 144 | 1,105 | 0 | 0 | 144 | 1,105 |
| Community Environment | 1,478 | 3,205 | 0 | 0 | 1,478 | 3,205 |
| Transportation | 381,752 | 288,907 | 0 | 0 | 381,752 | 288,907 |
| Capital Outlay | 0 | 914 | 0 | 0 | 0 | 914 |
| Business-type Activities | 0 | 0 | 1,681,753 | 2,435,519 | 1,681,753 | 2,435,519 |
| Total Disbursements | 589,278 | 500,226 | 1,681,753 | 2,435,519 | 2,271,031 | 2,935,745 |
| Increase (Decrease) in Net Assets | \$ (53,126) | \$ (127,701) | \$ 234,508 | \$ (295,467) | \$ 181,382 | \$ (423,168) |

Program receipts represent 88.6 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, local government, and water and sewer collections.

General receipts represent 11.4 percent of the total receipts, and of this amount, over 13.4 percent are local taxes. State and federal grants, entitlements and interest make up the majority of the balance of the Village's general receipts (82.0 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Village of Caldwell
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Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Mayor, Council, 1/3 of the Clerk-Treasurer costs, City Hall, Street and Cemetery departments as well as internal services such as payroll and purchasing.

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

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for Village activities are for transportation and security of persons and property, which account for 64.8 and 20.0 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14.5 percent. The next three columns of the Statement entitled "Program Cash Receipts" identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (disbursement)/receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

| | Total Cost of Services 2007 | Net Cost of Services 2007 | Total Cost of Services 2006 | Net Cost of Services 2006 |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program Expenses | | | | |
| General Government | \$ 85,273 | \$ (84,163) | \$ 86,536 | \$ (84,181) |
| Security of Persons and Property | 117,788 | (117,788) | 116,953 | (116,953) |
| Public Health Services | 2,843 | 1,982 | 2,606 | 7,419 |
| Leisure Time Activities | 144 | (144) | 1,105 | (1,105) |
| Community Environment | 1,478 | 681 | 3,205 | (867) |
| Transportation | 381,752 | (126,018) | 288,907 | (175,548) |
| Capital Outlay | 0 | 0 | 914 | (914) |
| | <u>0</u> | <u>0</u> | <u>914</u> | <u>(914)</u> |
| Total | <u>\$ 589,278</u> | <u>\$ (325,450)</u> | <u>\$ 500,226</u> | <u>\$ (372,149)</u> |

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

Village of Caldwell
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Business-Type Activities

The water operation of the Village of Caldwell is very important, as it supplies nearly all the water in Noble County. The Village sells water to four satellite companies, which in turn distribute water to their customers.

The Water Treatment Plant has remained in compliance with the new EPA water quality standards and all new regulations. The installation of the Water Plant's new GAC Adsorption System is almost complete. This will enhance the quality of water that is sold to the water companies to help them remain in compliance with the EPA's new standards.

The Village has two main sources of water supplies. One is our Caldwell Lake and the other source is Wolf Run State Park.

The Village is executing a project now with the Natural Resources Conservation Service (NRCS) for the Caldwell Lake Dam Rehabilitation. The NRCS will provide 65 percent of the total eligible project cost. The Village will provide 35 percent. This is an important accomplishment for the Village, as the sponsor, to plan for the safety of the residences, businesses, property, and natural resources in the watershed.

The Village also operates a sewer treatment plant. The Plant is working on separating the storm water from sewer water and has completed the project at the plant to install the new North Headworks operation. The South Headworks is under construction and just waiting for some equipment to be installed to finish that project. Bronze Heights, a subdivision of Caldwell, just laid new sewer lines and the Village will be accepting their sewage soon.

The Village's Funds

Total governmental funds had receipts of \$536,152 and disbursements of \$589,278. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$61,986 as the result of increased costs for salaries and benefits and not achieving anticipated growth in income and property tax receipts and investments interest returns.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final disbursements were budgeted at \$437,541 while actual disbursements were \$330,643. Final budgeted receipts were \$264,901, while actual receipts were \$268,630. The Village kept spending below the budgeted amounts in order to help the general fund recover from prior losses. The result was a current year decrease in net assets of \$61,986.

Capital Assets and Debt Administration

Capital Assets

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

Village of Caldwell
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For the Year Ended December 31, 2007

Debt

At December 31, 2007, the Village's outstanding principal debt included \$3,323,243 in revenue bonds and loans for improvements to the Village's water and sewer systems. The outstanding debt with interest amount is \$3,924,881. For further information regarding the Government's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for the Village is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2008; therefore, the finance committee and the administration are implementing a strategy to initiate a 1% income tax on the Village. This plan will be undertaken by 2009. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. We have reduced planned park repairs and maintenance. Less overtime in the departments is being discussed with the Superintendents.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Connie Bunting, Clerk-Treasurer, Village of Caldwell, 215 West Street, Caldwell, Ohio 43724.

**Village of Caldwell, Noble County
Statement of Net Assets - Cash Basis
December 31, 2007**

| | Governmental Activities | Business - Type Activities | Total |
|--|------------------------------------|---------------------------------------|--------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,975,069 | \$ 2,660,523 | \$ 4,635,592 |
| Total Assets | \$ 1,975,069 | \$ 2,660,523 | \$ 4,635,592 |
| Net Assets | | | |
| Restricted for: | | | |
| Debt Service | \$ 0 | \$ 593,068 | \$ 593,068 |
| Permanent Funds | | | |
| Expendable | 15,071 | 0 | 15,071 |
| Non-Expendable | 84,530 | 0 | 84,530 |
| Other Purposes | 270,232 | 34,506 | 304,738 |
| Unrestricted | 1,605,236 | 2,032,949 | 3,638,185 |
| Total Net Assets | \$ 1,975,069 | \$ 2,660,523 | \$ 4,635,592 |

See accompanying notes to the basic financial statements.

Village of Caldwell, Noble County
Statement of Activities - Cash Basis
December 31, 2007

| | Program Cash Receipts | | | | Net (Disbursements) Receipts & Changes in Net Assets | | |
|---|-----------------------|--------------------------------------|--|--|---|-----------------------------|---------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 85,273 | \$ 1,110 | \$ 0 | \$ 0 | \$ (84,163) | \$ 0 | \$ (84,163) |
| Security of Persons and Property | 117,788 | 0 | 0 | 0 | (117,788) | 0 | (117,788) |
| Public Health Services | 2,843 | 4,825 | 0 | 0 | 1,982 | 0 | 1,982 |
| Leisure Time Activities | 144 | 0 | 0 | 0 | (144) | 0 | (144) |
| Community Environment | 1,478 | 0 | 2,159 | 0 | 681 | 0 | 681 |
| Transportation | 381,752 | 0 | 102,595 | 153,139 | (126,018) | 0 | (126,018) |
| <i>Total Governmental Activities</i> | 589,278 | 5,935 | 104,754 | 153,139 | (325,450) | 0 | (325,450) |
| Business Type Activity | | | | | | | |
| Water Operations | 790,894 | 927,842 | 0 | 0 | 0 | 136,948 | 136,948 |
| Sewer Operations | 890,859 | 971,226 | 0 | 7,072 | 0 | 87,439 | 87,439 |
| <i>Total Business Type Activities</i> | 1,681,753 | 1,899,068 | 0 | 7,072 | 0 | 224,387 | 224,387 |
| Total | <u>\$ 2,271,031</u> | <u>\$ 1,905,003</u> | <u>\$ 104,754</u> | <u>\$ 160,211</u> | (325,450) | 224,387 | (101,063) |
| General Receipts: | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 37,517 | 0 | 37,517 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 24,975 | 0 | 24,975 |
| Proceeds of Loans | | | | | 0 | 2,362 | 2,362 |
| Earnings on Investments | | | | | 204,641 | 0 | 204,641 |
| Miscellaneous | | | | | 5,191 | 7,759 | 12,950 |
| Total General Receipts | | | | | 272,324 | 10,121 | 282,445 |
| Change in Net Assets | | | | | (53,126) | 234,508 | 181,382 |
| Net assets - beginning of year | | | | | <u>2,028,195</u> | <u>2,426,015</u> | <u>4,454,210</u> |
| Net assets - end of year | | | | | <u>\$ 1,975,069</u> | <u>\$ 2,660,523</u> | <u>\$ 4,635,592</u> |

See accompanying notes to the basic financial statements.

Village of Caldwell, Noble County
Statement of Cash Basis Assets and Fund Balance
Governmental Funds
December 31, 2007

| | <u>General Fund</u> | <u>Issue II</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|---------------------|-----------------|---|---------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,605,236 | \$ 0 | \$ 369,833 | \$ 1,975,069 |
| Total Assets | <u>\$ 1,605,236</u> | <u>\$ 0</u> | <u>\$ 369,833</u> | <u>\$ 1,975,069</u> |
| Fund Balances | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | \$ 1,376 | \$ 0 | \$ 0 | \$ 1,376 |
| Unreserved: | | | | |
| Undesignated (Deficit), Reported in: | | | | |
| General Fund | 1,603,860 | 0 | 0 | 1,603,860 |
| Special Revenue Funds | 0 | 0 | 270,232 | 270,232 |
| Permanent Funds | 0 | 0 | 99,601 | 99,601 |
| Total Fund Balances | <u>\$ 1,605,236</u> | <u>\$ 0</u> | <u>\$ 369,833</u> | <u>\$ 1,975,069</u> |

See accompanying notes to the basic financial statements.

Village of Caldwell, Noble County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

| | General | Issue II | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 37,517 | \$ 0 | \$ 0 | \$ 37,517 |
| Charges for Services | 900 | 0 | 6,984 | 7,884 |
| Fines, Licenses and Permits | 1,110 | 0 | 0 | 1,110 |
| Intergovernmental | 24,975 | 153,139 | 102,595 | 280,709 |
| Interest | 199,887 | 0 | 4,754 | 204,641 |
| Miscellaneous | 4,241 | 0 | 50 | 4,291 |
| <i>Total Receipts</i> | <u>268,630</u> | <u>153,139</u> | <u>114,383</u> | <u>536,152</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 85,273 | 0 | 0 | 85,273 |
| Security of Persons and Property | 116,340 | 0 | 1,448 | 117,788 |
| Public Health Services | 0 | 0 | 2,843 | 2,843 |
| Leisure Time Activities | 144 | 0 | 0 | 144 |
| Community Environment | 1,478 | 0 | 0 | 1,478 |
| Transportation | 127,381 | 0 | 47,426 | 174,807 |
| Capital Outlay | 0 | 153,139 | 53,806 | 206,945 |
| <i>Total Disbursements</i> | <u>330,616</u> | <u>153,139</u> | <u>105,523</u> | <u>589,278</u> |
| <i>Net Change in Fund Balances</i> | (61,986) | 0 | 8,860 | (53,126) |
| <i>Fund Balances Beginning of Year</i> | <u>1,667,222</u> | <u>0</u> | <u>360,973</u> | <u>2,028,195</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 1,605,236</u> | <u>\$ 0</u> | <u>\$ 369,833</u> | <u>\$ 1,975,069</u> |

See accompanying notes to the basic financial statements.

Village of Caldwell, Noble County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

| | Budgeted Amounts | | | Variance with |
|--|-------------------------|---------------------|---------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 39,100 | \$ 39,100 | \$ 37,517 | \$ (1,583) |
| Special Assessments | 500 | 500 | 275 | (225) |
| Charges for Services | 1,200 | 1,200 | 900 | (300) |
| Fines, Licenses and Permits | 3,200 | 3,200 | 1,110 | (2,090) |
| Intergovernmental | 28,851 | 28,851 | 24,975 | (3,876) |
| Earnings on Investments | 190,050 | 190,050 | 199,887 | 9,837 |
| Miscellaneous | 2,000 | 2,000 | 3,966 | 1,966 |
| Total Receipts | 264,901 | 264,901 | 268,630 | 3,729 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 115,081 | 115,081 | 85,128 | 29,953 |
| Security of Persons and Property | 148,448 | 148,448 | 116,775 | 31,673 |
| Leisure Time Activities | 2,000 | 2,000 | 144 | 1,856 |
| Community Environment | 11,500 | 11,500 | 1,478 | 10,022 |
| Transportation | 147,065 | 147,065 | 128,039 | 19,026 |
| Total Disbursements | 424,094 | 424,094 | 331,564 | 92,530 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (159,193) | (159,193) | (62,934) | 96,259 |
| Other Financing Sources (Uses) | | | | |
| Other Financing Uses | (14,796) | (14,796) | (428) | 14,368 |
| <i>Net Change in Fund Balance</i> | (173,989) | (173,989) | (63,362) | 110,627 |
| <i>Fund Balance Beginning of Year</i> | 1,665,873 | 1,665,873 | 1,665,873 | 0 |
| Prior Year Encumbrances Appropriated | 1,349 | 1,349 | 1,349 | 0 |
| Fund Balance End of Year | \$ 1,493,233 | \$ 1,493,233 | \$ 1,603,860 | \$ 110,627 |

See accompanying notes to the basic financial statements.

Village of Caldwell, Noble County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2007

| | Business Type Activities | | | |
|--|--------------------------|-------------------------|---|--|
| | Water Operating Fund | Sewer Operating Fund | Waterworks Construction and Improvement Fund | Sewer Construction and Repair Fund |
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 115,603 | \$ 235,237 | \$ 699,673 | \$ 634,596 |
| Total Assets | <u>\$ 115,603</u> | <u>\$ 235,237</u> | <u>\$ 699,673</u> | <u>\$ 634,596</u> |
| Net Assets | | | | |
| Restricted for Debt Service | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Restricted for Other Purposes | 0 | 0 | 0 | 0 |
| Unrestricted | 115,603 | 235,237 | 699,673 | 634,596 |
| Total Net Assets | <u>\$ 115,603</u> | <u>\$ 235,237</u> | <u>\$ 699,673</u> | <u>\$ 634,596</u> |

See accompanying notes to the basic financial statements.

Village of Caldwell, Noble County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2007

| Sewer Equipment and Replacement Fund | Sewer Debt Service Fund | Non-Major Enterprise Funds | Total Enterprise Funds |
|---|----------------------------|----------------------------------|------------------------------|
| \$ 347,840 | \$ 514,238 | \$ 113,336 | \$ 2,660,523 |
| \$ 347,840 | \$ 514,238 | \$ 113,336 | \$ 2,660,523 |
| \$ 0 | \$ 514,238 | \$ 78,830 | \$ 593,068 |
| 0 | 0 | 34,506 | 34,506 |
| 347,840 | 0 | 0 | 2,032,949 |
| \$ 347,840 | \$ 514,238 | \$ 113,336 | \$ 2,660,523 |

Village of Caldwell, Noble County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007

| | Business Type Activities | | | |
|--|----------------------------|----------------------------|---|--|
| | Water Operating Fund | Sewer Operating Fund | Waterworks Construction and Improvement Fund | Sewer Construction and Improvement Fund |
| Operating Receipts | | | | |
| Charges for Services | \$ 668,167 | \$ 371,226 | \$ 144,000 | \$ 144,000 |
| Total Operating Receipts | <u>668,167</u> | <u>371,226</u> | <u>144,000</u> | <u>144,000</u> |
| Operating Disbursements | | | | |
| Personal Services | 292,139 | 189,812 | 0 | 0 |
| Fringe Benefits | 73,619 | 50,607 | 0 | 0 |
| Contractual Services | 63,239 | 92,489 | 0 | 0 |
| Materials and Supplies | 178,641 | 87,541 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Total Operating Disbursements | <u>607,638</u> | <u>420,449</u> | <u>0</u> | <u>0</u> |
| Operating Income (Loss) | 60,529 | (49,223) | 144,000 | 144,000 |
| Non-Operating Receipts (Disbursements) | | | | |
| Intergovernmental | 0 | 0 | 0 | 7,072 |
| Proceeds of Debt | 0 | 0 | 2,362 | 0 |
| Miscellaneous Receipts | 5,866 | 1,893 | 0 | 0 |
| Capital Outlay | (4,958) | (6,381) | (66,442) | (56,166) |
| Principal Payments | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 |
| Total Non-Operating Receipts (Disbursements) | <u>908</u> | <u>(4,488)</u> | <u>(64,080)</u> | <u>(49,094)</u> |
| Income (Loss) before Transfers and Advances | 61,437 | (53,711) | 79,920 | 94,906 |
| Transfers In | 0 | 40,000 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 |
| Advances In | 0 | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 | 0 |
| Change in Net Assets | 61,437 | (13,711) | 79,920 | 94,906 |
| Net Assets Beginning of Year | <u>54,166</u> | <u>248,948</u> | <u>619,753</u> | <u>539,690</u> |
| Net Assets End of Year | <u>\$ 115,603</u> | <u>\$ 235,237</u> | <u>\$ 699,673</u> | <u>\$ 634,596</u> |

See accompanying notes to the basic financial statements.

Village of Caldwell, Noble County
Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007

| Sewer Equipment and Replacement Fund | Sewer Debt Service Fund | Other Enterprise Funds | Total Enterprise Funds |
|---|----------------------------|------------------------------|------------------------------|
| \$ 36,000 | \$ 420,000 | \$ 115,675 | \$ 1,899,068 |
| <u>36,000</u> | <u>420,000</u> | <u>115,675</u> | <u>1,899,068</u> |
| 0 | 0 | 0 | 481,951 |
| 0 | 0 | 0 | 124,226 |
| 0 | 0 | 0 | 155,728 |
| 0 | 0 | 0 | 266,182 |
| <u>0</u> | <u>0</u> | <u>6,826</u> | <u>6,826</u> |
| <u>0</u> | <u>0</u> | <u>6,826</u> | <u>1,034,913</u> |
| 36,000 | 420,000 | 108,849 | 864,155 |
| 0 | 0 | 0 | 7,072 |
| 0 | 0 | 0 | 2,362 |
| 0 | 0 | 0 | 7,759 |
| (10,256) | 0 | 0 | (144,203) |
| 0 | (344,934) | (54,172) | (399,106) |
| <u>0</u> | <u>(52,673)</u> | <u>(50,858)</u> | <u>(103,531)</u> |
| <u>(10,256)</u> | <u>(397,607)</u> | <u>(105,030)</u> | <u>(629,647)</u> |
| 25,744 | 22,393 | 3,819 | 234,508 |
| 0 | 0 | 0 | 40,000 |
| (40,000) | 0 | 0 | (40,000) |
| 0 | 0 | 0 | 0 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>(14,256)</u> | <u>22,393</u> | <u>3,819</u> | <u>234,508</u> |
| <u>362,096</u> | <u>491,845</u> | <u>109,517</u> | <u>2,426,015</u> |
| <u>\$ 347,840</u> | <u>\$ 514,238</u> | <u>\$ 113,336</u> | <u>\$ 2,660,523</u> |

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 1 – Reporting Entity

The Village of Caldwell, Noble County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four year term and votes only to break a tie.

The Village of Caldwell, Noble County, Ohio also has a 3-member Board of Public Affairs elected at large for four year terms. This Board oversees the Business Funds of Water and Sewer.

A. Primary Government

The primary government consists of all funds, and departments that are not legally separate from the Village. The Village provides general government services, water and sewer utilities and maintenance of Village roads, park operations and police services. The Village has a fire contract with the Volunteer Fire Department.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for good or services.

The statement of net assets presents the cash balance of the governmental activities and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village’s governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program’s goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village’s general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund’s principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary funds.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village’s major governmental funds are as follows:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

The Issue II Fund – The fund is used to account for all activity related to construction, maintenance and repair of the Village's streets that are funded by State Issue II monies.

Other governmental funds of the Village are used to account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The Village only has enterprise funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are as follows:

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

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

Waterworks Construction and Improvement Fund - This fund receives charges for services from residents to cover the cost of water system construction and repairs.

Sewer Construction and Repair Fund – This fund receives charges for services from residents to cover the cost of sewer system construction and repairs.

Sewer Equipment and Replacement Fund - This fund receives charges for services from residents to cover the cost of sewer system equipment and equipment repairs or replacement. This fund was internally established and is not required by debt covenant.

Sewer Debt Service Fund – This fund receives an allocation of sewer revenues for retirement of debt.

Other non-major enterprise funds of the Village are used to account for fees whose use is restricted for a particular purpose.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Investments of the cash management pool are presented on the financial statements as cash equivalents.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007, the Village invested in non-negotiable certificates of deposit, money market mutual funds and mortgage backed securities. The non-negotiable certificates of deposit are reported at cost. The Village's money market mutual funds and the mortgage backed securities are recorded at the cost amount reported by Citigroup Smith Barney at December 31, 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$198,422 which includes \$125,233 assigned from other Village funds.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent certain resources which are segregated from other resources of the Village to comply with various covenants established by bond and debt financing agreements.

G. Capital Assets

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street and state highway improvements, cemetery maintenance, federal grants, and drug law enforcement. Net assets restricted for Permanent funds include assets held under trust agreements in the Cemetery Endowment Fund and Cemetery Perpetual Care Fund used for care and upkeep of Olive Cemetery.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. In 2007 the Village transferred, by resolution, funds from the internally established Sewer Equipment and Replacement Fund to the Sewer Operating Fund in the amount of \$40,000. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Restatement of Fund Equity

The Village is restating the beginning fund balance in the general fund for a correction to the Smith Barney investment account.

| | |
|--|---------------------|
| Fund Balance December 31, 2006 | \$ 1,816,309 |
| Less adjustment for reduction in cost basis of investments | <u>(149,087)</u> |
| Fund Balance January 1, 2007 | <u>\$ 1,667,222</u> |

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements rather than as a reservation of fund balances. The encumbrances outstanding at year end amounted to \$1,376 for the General Fund. There were no other encumbrances outstanding for governmental funds.

Note 5 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 5 – Deposits and Investments (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States; 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;
2. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
3. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was \$3,106,404.

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,770,252 of the Village's bank balance of \$3,170,252 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 5 – Deposits and Investments (Continued)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2007, the Village had the following investments in fixed income securities and money market account which are part of the internal cash and cash equivalent pool:

| | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Maturity</u> | <u>% of Total</u> |
|----------------------|-----------------------|---------------------|-----------------|-------------------|
| GNMA Pass-Thru Pool | \$ 1,440,126 | \$ 1,401,688 | Avg-26 years | 94% |
| Money Market Account | <u>89,062</u> | <u>89,061</u> | | <u>6%</u> |
| Total Portfolio | <u>\$ 1,529,188</u> | <u>\$ 1,490,749</u> | | <u>100%</u> |

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The Village invests in GNMA (Ginny Mae) mortgage pass-through securities in which the principal and interest is United States Government guaranteed. The Federated Prime Cash money market account carries a rating of AAA from Standard and Poor’s. The Village has no investment policy that would further limit its investment choices.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village’s investments are uninsured, unregistered investments that are held by the counterparty’s trust department or agent but not in the Village’s name.

The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Concentration of Credit Risk: The Village places no limit on the amount it may invest in any one issuer.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$1.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

| | |
|----------------------------|----------------------|
| Real Property | |
| Residential | \$ 15,445,890 |
| Agriculture | 43,310 |
| Industrial | 19,880 |
| Commercial | 5,499,140 |
| Public Utility Property | |
| Personal | 817,110 |
| Tangible Personal Property | <u>547,400</u> |
| Total Assessed Value | <u>\$ 22,372,730</u> |

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2007 member contribution rate was 9.5%. The 2007 employer contribution rate for local government employer units, including the Village, was 13.85% of covered payroll. The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2004 were \$50,897, \$58,796 and \$54,499 respectively. The full amount has been contributed for 2007, 2006 and 2005. There were no member-directed plan contributions for 2007 for the Village of Caldwell.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village's required contributions for pension obligations to the Fund for the years ended December 31, 2007, 2006, and 2005 were \$7,314, \$7,933 and \$5,646. The full amount has been contributed for 2007, 2006 and 2005.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 8 – Post-employment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in *GASB Statement 12*.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, state employers contributed at a rate of 13.77% of covered payroll, local government employer units contributed at 13.85% of covered payroll and public safety and law enforcement employer units contributed at 17.17%. The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007.

Benefits are advance-funded using the individual entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees). In addition, annual pay increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 374,949 as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Village contributions for 2007 which were used to fund post-employment benefits were \$33,620. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 8 – Post-employment Benefits (Continued)

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll in 2006 and 6.75% of covered payroll in 2007 was applied to the post-employment health care program. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 that were used to fund post-employment benefits were \$3,869 for police. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 9 – Debt

The Village's long-term debt activity for the year ended December 31, 2007 was as follows:

| | <u>Interest Rate</u> | <u>Principal Outstanding 12/31/2006</u> | <u>Additions</u> | <u>Deductions</u> | <u>Principal Outstanding 12/31/2007</u> | <u>Amount Due within One Year</u> |
|--|--------------------------|---|------------------|-------------------|---|---|
| <i><u>Business-type Activities</u></i> | | | | | | |
| CAPMARK - Mortgage Revenue Bonds | 5.00% | \$ 1,016,600 | \$ 0 | \$ 49,000 | \$ 967,600 | \$ 52,000 |
| OWDA - Loans | | | | | | |
| Sewer - Prison | 2.20% | 1,486,074 | 0 | 134,407 | 1,351,667 | 137,380 |
| Sewer - Plant | 2.00% | 594,010 | 0 | 165,532 | 428,478 | 168,860 |
| Sewer - Lines | 2.20% | 355,406 | 0 | 32,145 | 323,261 | 32,856 |
| Total OWDA Loans | | 2,435,490 | 0 | 332,084 | 2,103,406 | 339,096 |
| OPWC Loans | | | | | | |
| Sewer Replacement | 2.00% | 101,907 | 0 | 4,602 | 97,305 | 4,695 |
| Sunset Drive Sewer | 0.00% | 14,625 | 0 | 750 | 13,875 | 750 |
| WWTP Headworks | 0.00% | 146,192 | 0 | 7,498 | 138,694 | 7,497 |
| GAC Water Treatment | 4.12% | 0 | 2,362 | 0 | 2,362 | 0 |
| Total OPWC Loans | | 262,724 | 2,362 | 12,850 | 252,236 | 12,942 |
| USDA | | 5,172 | 0 | 5,172 | 0 | 0 |
| Total Long-Term Obligations | | <u>\$ 3,719,986</u> | <u>\$ 2,362</u> | <u>\$ 399,106</u> | <u>\$ 3,323,242</u> | <u>\$ 404,038</u> |

The CAPMARK mortgage revenue bonds were for improvements to utilities and further improvements and extensions for water services. Revenue of the water fund has been pledged to repay these debts.

The Ohio Water Development Authority (OWDA) loans for Sewer-Prison and Sewer Lines were used to expand the sewer system facility and provide lines for sewer services to the prison. The OWDA loans for the sewer plant were used for improvements to the Village's utility systems. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans were used for a sanitary sewer replacement project, a sanitary sewer improvement project on Sunset Drive, the Wastewater Treatment Plant Headworks project and for the GAC water treatment project. The GAC water treatment plant approved loan is \$300,000, of which \$2,362 has been drawn down to date. All loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 9 – Debt (Continued)

The United States Department of Agriculture (USDA) loans and OWDA loans for the sewer plant were used for improvements to the Village's utility systems. The loans are collateralized by sewer and water receipts. The Village has agreed to set utility rates sufficient to cover OWDA and USDA debt service requirements.

The following is a summary of the Village's future annual debt service requirements excluding the GAC Water Treatment debt as the loan has not been finalized:

| Year | OPWC Loans | | OWDA Loans | |
|-----------|-------------------|------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 12,942 | \$ 1,923 | \$ 339,096 | \$ 43,647 |
| 2009 | 13,036 | 1,828 | 346,256 | 36,487 |
| 2010 | 13,132 | 1,732 | 265,214 | 29,232 |
| 2011 | 13,231 | 1,634 | 181,786 | 24,368 |
| 2012 | 13,331 | 1,535 | 185,807 | 20,347 |
| 2013-2017 | 62,612 | 6,094 | 785,247 | 39,366 |
| 2018-2022 | 76,668 | 3,270 | 0 | 0 |
| 2023-2027 | 44,922 | 485 | 0 | 0 |
| | <u>\$ 249,874</u> | <u>\$ 18,501</u> | <u>\$ 2,103,406</u> | <u>\$ 193,447</u> |

| | Mortgage Revenue Bonds | | Total | |
|-----------|------------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 52,000 | \$ 48,380 | \$ 404,038 | \$ 93,950 |
| 2009 | 54,000 | 45,780 | 413,292 | 84,095 |
| 2010 | 57,000 | 43,080 | 335,346 | 74,044 |
| 2011 | 60,000 | 40,230 | 255,017 | 66,232 |
| 2012 | 62,000 | 37,230 | 261,138 | 59,112 |
| 2013-2017 | 363,000 | 136,000 | 1,210,859 | 181,460 |
| 2018-2022 | 319,600 | 38,990 | 396,268 | 42,260 |
| 2023-2027 | 0 | 0 | 44,922 | 485 |
| | <u>\$ 967,600</u> | <u>\$ 389,690</u> | <u>\$ 3,320,880</u> | <u>\$ 601,638</u> |

Village of Caldwell, Noble County

Notes to the Financial Statements
December 31, 2007

Note 10 – Risk Management

Commercial Insurance

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village contracts with The Ohio Plan through Crum Richards Insurance Agency, Inc. for property general liability insurance which includes boiler machinery coverage.

Vehicles are covered by The Ohio Plan and have a \$100 deductible. Automobile liability coverage has a \$2,000,000 limit for collision, and \$2,000,000 limit for bodily injury. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs. The Village is in a group rating system through Gates McDonald.

The Village provides life insurance, accidental death, and dismemberment insurance to its employees. The Village also provides Health, Dental and Vision Insurance for their employees. The employees pay 10% of the cost and the Village picks up the 90%. Premiums are paid from the same funds that pay the employees' salaries.

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

Note 11 – Construction and Contractual Commitments

In 2007 the Village entered into contracts for two projects. These projects are the GAC Adsorbition System and the South Headworks Project. The commitments as of December 31, 2007 are as follows:

| <u>Project</u> | <u>Contractor</u> | <u>Contract Amount</u> | <u>Payments to Date</u> | <u>Remaining Contract</u> |
|------------------------|--------------------------|----------------------------|-----------------------------|-------------------------------|
| GAC Adsorbition System | Nicolozakes Construction | \$ 1,018,153 | \$ 0 | \$ 1,018,153 |
| GAC Adsorbition System | Abbott Electric | 86,064 | 0 | 86,064 |
| South Headworks | Downing Construction | 204,300 | 0 | 204,300 |
| South Headworks | W. E. Quicksall | 39,500 | 23,260 | 16,240 |

Note 12 – Contingencies

The Village received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the Village at December 31, 2007.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

June 6, 2008

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Caldwell (the Village) as of and for the year ended December 31, 2007, and have issued our report thereon dated June 6, 2008, wherein we noted the Village follows the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected in the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (2007-001 and 2007-002) to be significant deficiencies in internal control over financial reporting.

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

Village of Caldwell

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

June 6, 2008

Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the items described above to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Village in a separate letter dated June 6, 2008.

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

Hea & Associates, Inc.

**VILLAGE OF CALDWELL
NOBLE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | |
|--|-------------|
| Type of Financial Statement Opinion | Unqualified |
| Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| Were there any other internal control deficiencies reported at the financial statement level (GAGAS)? | No |
| Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |

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

Material Weaknesses

| | |
|----------------|------------|
| FINDING NUMBER | 2007 – 001 |
|----------------|------------|

Recording Transactions for Multi-Jurisdictional Issue 2 Grant Activity

The Village does not have a process in place that will ensure the recording of all grant revenues and expenses for Issue 2 projects. In 2007 the Village received assistance in the amount of \$153,139 for street paving that was not recorded as revenue or as capital outlay. This grant activity runs through the County Engineer's Office but is for the benefit of the Village. Auditor of State Technical Bulletin 2002-004 addresses the procedures for accounting for Public Works Commission Infrastructure Projects (Issue 2 money).

We recommend the Village management become familiar with the Auditor of State Technical Bulletins related to Issue 2 funding and accounting procedures. Issue 2 projects are required to have separate funds for each project. This will help Village management track the total costs associated with street paving or other infrastructure projects.

Village's Response:

The Village has implemented a procedure to address these types of transactions to insure they are recorded.

VILLAGE OF CALDWELL
NOBLE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007
(Continued)

| | |
|----------------|------------|
| FINDING NUMBER | 2007 – 002 |
|----------------|------------|

Reconciliation of the Smith Barney Investment Account

The Village does not have a process in place to reconcile the investment cost basis on the Smith Barney Investment Account to the Village's financial system records. In the past the cost basis was not reflected on the investment account statement. Beginning in 2007 accurate cost basis information is now available. A prior period adjustment was needed to reduce the Village's account balance and bring it in line with the investment statement in the amount of \$149,087. Additionally, interest on the money market investment account net of fees, premium, discounts and purchased interest needed to be recorded.

We recommend the Village set up a reconciliation process in order to ensure all activity is recorded and the balance is accurately stated in the financial records.

Village's Response:

The Village has implemented a procedure to address these types of transactions to insure they are recorded.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CALDWELL

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 22, 2008