

***VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Village Council
Village of Middlefield
14860 N. State Street
Middlefield, Ohio 44062

We have reviewed the *Report of Independent Accountants* of the Village of Middlefield, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Middlefield is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 12, 2008

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GEAUGA COUNTY
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For the years ended December 31, 2006 and 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Middlefield
Geauga County
14860 N. State Street
P.O. Box 1019
Middlefield, Ohio 44062

To the Village Council:

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 Middlefield, Geauga County, Ohio, (the Village), as of and for the years ended December 31, 2006 and 2005, 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 an opinion on these financial statements based on our audit.

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

As 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund and Income Tax Fund thereof for the years then ended in conformity with accounting basis Note 2 describes.

Management's discussion and analysis on pages 3 to 12 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, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

December 15, 2007

Village of Middlefield
Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
(unaudited)

The discussion and analysis of the Village of Middlefield's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006 and 2005, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2006 and 2005 are as follows:

Overall:

- For governmental activities, net assets increased \$1,059,583 and \$524,294 in 2006 and 2005, respectively which represents a 25 and 19 percent increase from 2005 and 2004, respectively.
- In 2006, general receipts accounted for \$4,347,001 in revenue or 41 percent of all governmental receipts. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,235,304 or 59 percent of total governmental revenues of \$10,582,305. In 2005, general receipts accounted for \$4,622,964 in revenue or 87 percent of all governmental receipts. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$676,336 or 13 percent of total governmental revenues of \$5,299,300.
- In 2006, the Village had \$9,534,724 in expenses related to governmental activities; only \$6,235,304 of these expenses were offset by program specific charges for services, grants or contributions. General receipts (primarily municipal taxes) of \$4,347,001 were adequate to provide for these programs. In 2005, the Village had \$4,795,515 in expenses related to governmental activities; only \$676,336 of these expenses were offset by program specific charges for services, grants or contributions. General receipts (primarily municipal taxes) of \$4,622,964 were adequate to provide for these programs.
- In 2006, among major funds, the general fund had \$1,613,752 in revenues and \$1,574,914 in expenditures. The general fund's fund balance increased to \$164,144 from \$125,306. In 2005, among major funds, the general fund had \$1,426,420 in revenues and \$1,429,533 in expenditures. The general fund's fund balance decreased to \$125,306 from \$128,419.
- In 2006, for Business-Type activities, program revenues were \$1,475,804. These offset expenses of \$1,154,172. In 2005, for Business-Type activities, program revenues were \$905,461. These offset expenses of \$1,251,039.

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Geauga County
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Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provides information about the activities of the whole Village, presenting an aggregate view of the Village finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed. The fund financial statements also look at the Village's most significant funds with all other non-major funds presented in total in one column. In the case of the Village of Middlefield, the General Fund, Income Tax Fund, Sewer Plant Construction, North and South Springdale Improvements Funds, and Utilities Capital Improvement fund by far are the most significant funds.

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the Village did financially during 2006 and 2005, 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 activities. 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 two statements report the Village's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Village as a whole, the *financial position* of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Village has two kind of activities:

- Governmental Activities - Most of the Village's programs and services are reported here including, general government, security of persons and property, public health services, leisure time activities, community environment, basic utility services, and transportation.

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- Business-type activities – The Village has a number of business-type activities which are financed by fees charged to the customers receiving the services.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the Village's major funds are on pages 15, 16, 23 and 24. Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the Village's most significant funds. The Village's major governmental funds are the General Fund, Income Tax Fund, Sewer Plant Construction, North and South Springdale Improvements Funds, and Utilities Capital Improvement. The Village's major proprietary funds are the Water Fund, Sewer Fund, New Well Capital Improvement Fund, and Sewer Capital Improvement Fund.

Governmental Funds Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the Village's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is essentially the same on a cash basis.

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 enterprise funds. The proprietary funds for the Village consist exclusively of enterprise funds.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Village as a Whole

Tables 1 and 2 provide a summary of the Village's net assets for 2006 compared to 2005 and 2005 compared to 2004 on the cash basis:

Village of Middlefield
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Management's Discussion and Analysis
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Table 1

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Cash and Investments	\$ 4,322,051	\$ 3,262,468	\$ 1,234,085	\$ 924,455	\$ 5,556,136	\$ 4,186,923
<i>Total Assets</i>	<u>4,322,051</u>	<u>3,262,468</u>	<u>1,234,085</u>	<u>924,455</u>	<u>5,556,136</u>	<u>4,186,923</u>
Net Assets:						
Restricted						
Capital Projects	948,495	1,221,994	-	-	948,495	1,221,994
Other Purposes	3,209,412	1,915,168	-	-	3,209,412	1,915,168
Unrestricted	164,144	125,306	1,234,085	924,455	1,398,229	1,049,761
<i>Total Net Assets</i>	<u>\$ 4,322,051</u>	<u>\$ 3,262,468</u>	<u>\$ 1,234,085</u>	<u>\$ 924,455</u>	<u>\$ 5,556,136</u>	<u>\$ 4,186,923</u>

Table 2

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Cash and Investments	\$ 3,262,468	\$ 2,738,174	\$ 924,455	\$ 1,290,542	\$ 4,186,923	\$ 4,028,716
<i>Total Assets</i>	<u>3,262,468</u>	<u>2,738,174</u>	<u>924,455</u>	<u>1,290,542</u>	<u>4,186,923</u>	<u>4,028,716</u>
Net Assets:						
Restricted						
Capital Projects	1,221,994	883,519	-	-	1,221,994	883,519
Other Purposes	1,915,168	1,726,236	-	-	1,915,168	1,726,236
Unrestricted	125,306	128,419	924,455	1,290,542	1,049,761	1,418,961
<i>Total Net Assets</i>	<u>\$ 3,262,468</u>	<u>\$ 2,738,174</u>	<u>\$ 924,455</u>	<u>\$ 1,290,542</u>	<u>\$ 4,186,923</u>	<u>\$ 4,028,716</u>

For an explanation of significant variances, see tables 3 and 4 below.

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The tables below show the net changes in net assets for 2006 and 2005.

Table 3

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 422,035	\$ 572,495	\$ 886,019	\$ 905,461	\$ 1,308,054	\$ 1,477,956
Operating Grants and Contributions	3,630	3,515	589,785	-	593,415	3,515
Capital Grants and Contributions	5,809,639	100,326	-	-	5,809,639	100,326
General Receipts:						
Property Taxes	616,622	506,949	-	-	616,622	506,949
Municipal Income Taxes	3,073,614	2,879,196	-	-	3,073,614	2,879,196
Grants and Entitlements	150,057	113,285	-	-	150,057	113,285
Interest	192,369	99,019	-	-	192,369	99,019
Miscellaneous	314,339	41,401	-	-	314,339	41,401
Proceeds of OPWC Loan	-	983,114	-	-	-	983,114
Transfers	12,002	20,509	(12,002)	(20,509)	-	-
Total Receipts	10,594,307	5,319,809	1,463,802	884,952	12,058,109	6,204,761
Disbursements:						
Current:						
General Government	641,928	793,418	-	-	641,928	793,418
Security of Persons and Property	1,099,647	972,174	-	-	1,099,647	972,174
Public Health Services	41,585	29,308	-	-	41,585	29,308
Leisure Time Activities	479,786	279,594	-	-	479,786	279,594
Community Environment	238,868	240,407	-	-	238,868	240,407
Basic Utility Services	183,103	18,856	-	-	183,103	18,856
Transportation	591,031	2,350,674	-	-	591,031	2,350,674
Miscellaneous	97,684	25,050	-	-	97,684	25,050
Capital Outlay	6,054,746	-	-	-	6,054,746	-
Debt Service:						
Principal Retirement	106,346	86,034	-	-	106,346	86,034
Water	-	-	366,950	347,659	366,950	347,659
Sewer	-	-	465,386	418,356	465,386	418,356
New Well Capital Improvement	-	-	27,694	1,310	27,694	1,310
Sewer Capital Improvement	-	-	294,142	483,714	294,142	483,714
Total Disbursements	9,534,724	4,795,515	1,154,172	1,251,039	10,688,896	6,046,554
Changes in Net Assets	\$ 1,059,583	\$ 524,294	\$ 309,630	\$ (366,087)	\$ 1,369,213	\$ 158,207

Village of Middlefield
Geauga County
Management's Discussion and Analysis
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(unaudited)

Table 4

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 572,495	\$ 375,685	\$ 905,461	\$ 872,633	\$ 1,477,956	\$ 1,248,318
Operating Grants and Contributions	3,515	148,644	-	-	3,515	148,644
Capital Grants and Contributions	100,326	-	-	-	100,326	-
General Receipts:						
Property Taxes	506,949	355,614	-	-	506,949	355,614
Municipal Income Taxes	2,879,196	2,604,846	-	-	2,879,196	2,604,846
Other Local Taxes	-	188,645	-	-	-	188,645
Grants and Entitlements	113,285	155,941	-	-	113,285	155,941
Sale of Capital Assets	-	10,430	-	-	-	10,430
Interest	99,019	76,667	-	-	99,019	76,667
Proceeds of OPWC Loan	983,114	-	-	-	983,114	-
Miscellaneous	41,401	24,539	-	-	41,401	24,539
Transfers	20,509	5,236	(20,509)	(5,236)	-	-
Total Receipts	5,319,809	3,946,247	884,952	867,397	6,204,761	4,813,644
Disbursements:						
Current:						
General Government	793,418	770,126	-	-	793,418	770,126
Security of Persons and Property	972,174	920,659	-	-	972,174	920,659
Public Health Services	29,308	60,170	-	-	29,308	60,170
Leisure Time Activities	279,594	279,054	-	-	279,594	279,054
Community Environment	240,407	173,285	-	-	240,407	173,285
Basic Utility Services	18,856	18,352	-	-	18,856	18,352
Transportation	2,350,674	1,906,052	-	-	2,350,674	1,906,052
Miscellaneous	25,050	-	-	-	25,050	-
Capital Outlay	-	53,120	-	-	-	53,120
Debt Service:						
Principal Retirement	86,034	1,428,842	-	-	86,034	1,428,842
Fiscal and Interest Charges	-	28,000	-	-	-	28,000
Water	-	-	347,659	320,004	347,659	320,004
Sewer	-	-	418,356	495,283	418,356	495,283
New Well Capital Improvement	-	-	1,310	-	1,310	-
Sewer Capital Improvement	-	-	483,714	216,504	483,714	216,504
Total Disbursements	4,795,515	5,637,660	1,251,039	1,031,791	6,046,554	6,669,451
Changes in Net Assets	\$ 524,294	\$ (1,691,413)	\$ (366,087)	\$ (164,394)	\$ 158,207	\$ (1,855,807)

Governmental Activities

In 2006, net assets of the Village's governmental activities increased by \$1,059,583. The governmental expenses of \$9,534,724 were primarily offset by program revenues of \$6,235,304, general revenues of \$4,347,001 and the prior year cash balance. Program revenues supported 65% of the total governmental activities.

In 2006, the primary sources of revenue for governmental activities are derived from property taxes, and income taxes. These two revenue sources represent 85% of total general revenue.

Village of Middlefield
Geauga County
Management's Discussion and Analysis
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In 2005, net assets of the Village's governmental activities increased by \$524,294. The governmental expenses of \$4,795,515 were primarily offset by program revenues of \$676,336, general revenues of \$4,622,964 and the prior year cash balance. Program revenues supported 14% of the total governmental activities.

In 2005, the primary sources of revenue for governmental activities are derived from property taxes, and income taxes. These two revenue sources represent 93% of total general revenue.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Tables 5 shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

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Table 5

Total and Cost of Program Services

	Governmental Activities		Business Type Activities	
	2006		2006	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$ 641,928	\$ (423,711)	-	-
Security of Persons and Property	1,099,647	(1,047,956)	-	-
Public Health Services	41,585	(21,538)	-	-
Leisure Time Activities	479,786	(428,407)	-	-
Community Environment	238,868	(150,907)	-	-
Basic Utility Services	183,103	(183,103)	-	-
Transportation	591,031	(475,063)	-	-
Capital Outlay	6,054,746	(364,705)	-	-
Retirement of Principal	106,346	(106,346)	-	-
Miscellaneous	97,684	(97,684)	-	-
Water	-	-	\$ 366,950	\$ 37,840
Sewer	-	-	465,386	15,853
New Well Capital Improvement	-	-	27,694	(27,694)
Sewer Capital Improvement	-	-	294,142	295,643
Total Expenses	\$ 9,534,724	\$ (3,299,420)	\$ 1,154,172	\$ 321,642

	Governmental Activities		Business Type Activities	
	2005		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$ 793,418	\$ (608,412)	-	-
Security of Persons and Property	972,174	(943,537)	-	-
Public Health Services	29,308	(13,064)	-	-
Leisure Time Activities	279,594	(236,722)	-	-
Community Environment	240,407	(154,665)	-	-
Basic Utility Services	18,856	(18,856)	-	-
Transportation	2,350,674	(2,032,839)	-	-
Retirement of Principal	86,034	(86,034)	-	-
Miscellaneous	25,050	(25,050)	-	-
Water	-	-	\$ 347,659	\$ 67,868
Sewer	-	-	418,356	71,578
New Well Capital Improvement	-	-	1,310	(1,310)
Sewer Capital Improvement	-	-	483,714	(483,714)
Total Expenses	\$ 4,795,515	\$ (4,119,179)	\$ 1,251,039	\$ (345,578)

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For 2006 and 2005, 65 and 14 percent of general government activities were supported through program revenues, respectively. For all governmental activities, general revenue and prior year cash balance support is all expenses as shown in the above table. The community, as a whole, is by far the primary support for the Village of Middlefield.

Business-type Activities

The dependence upon program revenues is apparent as 100 percent of Business-Type activities are supported through these receipts for 2006 and 2005. The infrastructure is beginning to age but the Village has ongoing maintenance projects to upgrade the infrastructure.

The Village's Funds

Information about the Village's major funds are on pages 15, 16, 23 and 24. These funds are accounted for using the cash basis of accounting.

In 2006, all governmental funds had total revenues of \$11,573,772 and expenditures of \$10,514,189. The net change in fund balance for the year was most significant in the Income Tax Fund, where the fund's net assets increased by \$1,059,825 for 2006.

In 2005, all governmental funds had total revenues of \$7,279,545 and expenditures of \$6,892,251. The net change in fund balance for the year was most significant in the South Springdale Improvements Fund, where the fund's net assets increased by \$143,977 for 2005.

General Fund Budgeting Highlights

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

During the course of 2006 and 2005 the Village amended its General Fund budget numerous times. The Village uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

In 2006, for the General Fund, budget basis revenue was \$1,577,066, the original estimate was \$1,367,469. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,574,914, \$38,838 under revenues.

In 2005, for the General Fund, budget basis revenue was \$1,392,654, the original estimate was \$1,266,850. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,429,533, \$3,113 over revenues.

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Debt Administration

Debt

At December 31, 2006, the Village had \$1,130,879 in OPWC loans. These issues were used for improvements to the Village's water and sewer systems. See Note 10 to the financial statements.

Current Financial Related Activities

The Village of Middlefield is strong financially. As the preceding information shows, the Village heavily depends on its property/income taxpayers. However, financially the future is not without challenges.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Carol Osborne, Clerk/Treasurer at 14860 N. State Avenue, Middlefield, Ohio 44062.

Village of Middlefield, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Investments	\$ 4,322,051	\$ 1,234,085	\$ 5,556,136
<i>Total Assets</i>	<u>\$ 4,322,051</u>	<u>\$ 1,234,085</u>	<u>\$ 5,556,136</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 948,495	-	\$ 948,495
Other Purposes	3,209,412	-	3,209,412
Unrestricted	<u>164,144</u>	<u>\$ 1,234,085</u>	<u>1,398,229</u>
<i>Total Net Assets</i>	<u>\$ 4,322,051</u>	<u>\$ 1,234,085</u>	<u>\$ 5,556,136</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and 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	\$ 641,928	\$ 218,217	-	-	\$ (423,711)	\$ -	\$ (423,711)
Security of Persons and Property	1,099,647	44,431	\$ 3,630	\$ 3,630	(1,047,956)	-	(1,047,956)
Public Health Services	41,585	20,047	-	-	(21,538)	-	(21,538)
Leisure Time Activities	479,786	51,379	-	-	(428,407)	-	(428,407)
Community Environment	238,868	87,961	-	-	(150,907)	-	(150,907)
Basic Utility Services	183,103	-	-	-	(183,103)	-	(183,103)
Transportation	591,031	-	-	115,968	(475,063)	-	(475,063)
Capital Outlay	6,054,746	-	-	5,690,041	(364,705)	-	(364,705)
Other	97,684	-	-	-	(97,684)	-	(97,684)
Redemption of Principal	106,346	-	-	-	(106,346)	-	(106,346)
<i>Total Governmental Activities</i>	9,534,724	422,035	3,630	5,809,639	(3,299,420)	-	(3,299,420)
Business Type Activity							
Water	366,950	404,780	-	-	-	37,830	37,830
Sewer	465,386	481,239	-	-	-	15,853	15,853
New Well Capital Improvement	27,694	-	-	-	-	(27,694)	(27,694)
Sewer Capital Improvement	294,142	-	589,785	-	-	295,643	295,643
<i>Total Business Type Activities</i>	1,154,172	886,019	589,785	-	-	321,632	321,632
Total	<u>\$ 10,688,896</u>	<u>\$ 1,308,054</u>	<u>\$ 593,415</u>	<u>\$ 5,809,639</u>	<u>\$ (3,299,420)</u>	<u>\$ 321,632</u>	<u>\$ (2,977,788)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					422,130	-	\$ 422,130
Special Purposes					194,492	-	194,492
Municipal Income Taxes					3,073,614	-	3,073,614
Grants and Entitlements not Restricted							
to Specific Programs					150,057	-	150,057
Interest					192,369	-	192,369
Miscellaneous					314,339	-	314,339
<i>Total General Receipts</i>					4,347,001	-	4,347,001
Transfers					12,002	(12,002)	-
<i>Total General Receipts and Transfers</i>					4,359,003	(12,002)	4,347,001
Change in Net Assets					1,059,583	309,630	1,369,213
<i>Net Assets Beginning of Year</i>					3,262,468	924,455	4,186,923
<i>Net Assets End of Year</i>					<u>\$ 4,322,051</u>	<u>\$ 1,234,085</u>	<u>\$ 5,556,136</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Income Tax	Sewer Plant Construction	South Springdale Improvements	Utilities Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Investments	\$ 164,144	\$ 2,506,848	\$ -	\$ 45,666	\$ 336,517	\$ 1,268,876	\$ 4,322,051
<i>Total Assets</i>	<u>\$ 164,144</u>	<u>\$ 2,506,848</u>	<u>\$ -</u>	<u>\$ 45,666</u>	<u>\$ 336,517</u>	<u>\$ 1,268,876</u>	<u>\$ 4,322,051</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$ 164,144	-	-	-	-	-	\$ 164,144
Special Revenue Funds	-	\$ 2,506,848	-	-	-	\$ 702,564	3,209,412
Capital Projects Funds	-	-	-	\$ 45,666	\$ 336,517	566,312	948,495
<i>Total Fund Balances</i>	<u>\$ 164,144</u>	<u>\$ 2,506,848</u>	<u>\$ -</u>	<u>\$ 45,666</u>	<u>\$ 336,517</u>	<u>\$ 1,268,876</u>	<u>\$ 4,322,051</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2006

	General	Income Tax	Sewer Plant Construction	South Springdale Improvements	Utilities Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$ 13,742	\$ 3,059,872	-	-	-	-	\$ 3,073,614
Property and Other Local Taxes	422,130	-	-	-	-	\$ 194,492	616,622
Charges for Services	162,454	-	-	-	\$ 125,147	75,222	362,823
Fines, Licenses and Permits	55,763	2,664	-	-	-	785	59,212
Intergovernmental	135,059	-	\$ 5,690,041	-	-	138,226	5,963,326
Interest	188,789	-	-	-	-	3,580	192,369
Miscellaneous	10,815	20,777	-	-	-	282,747	314,339
<i>Total Receipts</i>	988,752	3,083,313	5,690,041	-	125,147	695,052	10,582,305
Disbursements							
Current:							
General Government	326,474	315,454	-	-	-	-	641,928
Security of Persons and Property	877,080	-	-	-	-	222,567	1,099,647
Public Health Services	-	-	-	-	-	41,585	41,585
Leisure Time Activities	49,078	283,951	-	-	-	146,757	479,786
Community Environment	209,697	29,171	-	-	-	-	238,868
Basic Utility Services	19,127	163,876	-	-	100	-	183,103
Transportation	11,993	320,359	-	-	-	258,679	591,031
Other	-	-	-	-	-	97,684	97,684
Capital Outlay	-	27,677	5,690,041	-	316,688	20,340	6,054,746
Debt Service:							
Principal Retirement	-	-	-	\$ 98,311	-	8,035	106,346
<i>Total Disbursements</i>	1,493,449	1,140,488	5,690,041	98,311	316,788	795,647	9,534,724
<i>Excess of Receipts Over (Under) Disbursements</i>	(504,697)	1,942,825	-	(98,311)	(191,641)	(100,595)	1,047,581
Other Financing Sources (Uses)							
Transfers In	625,000	-	-	-	3,864	362,603	991,467
Transfers Out	(81,465)	(883,000)	-	-	-	(15,000)	(979,465)
<i>Total Other Financing Sources (Uses)</i>	543,535	(883,000)	-	-	3,864	347,603	12,002
<i>Net Change in Fund Balances</i>	38,838	1,059,825	-	(98,311)	(187,777)	247,008	1,059,583
Fund Balances Beginning of Year	125,306	1,447,023	-	143,977	524,294	1,021,868	3,262,468
Fund Balances End of Year	\$ 164,144	\$ 2,506,848	\$ -	\$ 45,666	\$ 336,517	\$ 1,268,876	\$ 4,322,051

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$ 5,000	\$ 13,741	\$ 13,742	\$ 1
Property and Other Local Taxes	404,479	422,128	422,130	2
Charges for Services	78,971	137,844	162,454	24,610
Fines, Licenses and Permits	34,600	51,469	55,763	4,294
Intergovernmental	120,419	153,339	135,059	(18,280)
Interest	99,000	163,000	188,789	25,789
Miscellaneous	-	10,545	10,815	270
<i>Total receipts</i>	742,469	952,066	988,752	36,686
Disbursements				
Current:				
General Government	278,565	338,070	326,474	11,596
Security of Persons and Property	878,678	971,791	877,080	94,711
Leisure Time Activities	43,044	52,611	49,078	3,533
Community Environment	181,260	217,160	209,697	7,463
Basic Utility Services	22,535	23,358	19,127	4,231
Transportation	10,500	17,910	11,993	5,917
<i>Total Disbursements</i>	1,414,582	1,620,900	1,493,449	127,451
<i>Excess of Receipts Over (Under) Disbursements</i>	(672,113)	(668,834)	(504,697)	164,137
Other Financing Sources (Uses)				
Transfers In	625,000	625,000	625,000	-
Transfers Out	(69,307)	(81,470)	(81,465)	5
<i>Total Other Financing Sources (Uses)</i>	555,693	543,530	543,535	5
<i>Net Change in Fund Balance</i>	(116,420)	(125,304)	38,838	164,142
<i>Fund Balance Beginning of Year</i>	125,306	125,306	125,306	-
<i>Fund Balance End of Year</i>	\$ 8,886	\$ 2	\$ 164,144	\$ 164,142

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Revenue - Income Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$ 2,350,000	\$ 2,598,627	\$ 3,059,872	\$ 461,245
Fines, Licenses and Permits	-	-	2,664	2,664
Miscellaneous	-	-	20,777	20,777
<i>Total receipts</i>	2,350,000	2,598,627	3,083,313	484,686
Disbursements				
Current:				
General Government	298,603	473,137	315,454	157,683
Leisure Time Activities	1,107,296	1,088,296	283,951	804,345
Community Environment	60,000	110,000	29,171	80,829
Basic Utility Services	-	448,000	163,876	284,124
Transportation	1,338,000	924,169	320,359	603,810
Capital Outlay	13,200	43,200	27,677	15,523
<i>Total Disbursements</i>	2,817,099	3,086,802	1,140,488	1,946,314
<i>Excess of Receipts Over (Under) Disbursements</i>	(467,099)	(488,175)	1,942,825	2,431,000
Other Financing Sources (Uses)				
Transfers Out	(883,000)	(883,000)	(883,000)	-
<i>Total Other Financing Sources (Uses)</i>	(883,000)	(883,000)	(883,000)	-
<i>Net Change in Fund Balance</i>	(1,350,099)	(1,371,175)	1,059,825	2,431,000
<i>Fund Balance Beginning of Year</i>	1,447,023	1,447,023	1,447,023	-
<i>Fund Balance End of Year</i>	<u>\$ 96,924</u>	<u>\$ 75,848</u>	<u>\$ 2,506,848</u>	<u>\$ 2,431,000</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2006

	Business-Type Activities					Total Enterprise Funds
	Water	Sewer	New Well Capital Improvement	Sewer Capital Improvement	Other Enterprise Funds	
Assets						
Equity in Pooled Cash and Investments	\$ 152,864	\$ 59,998	\$ 315,001	\$ 644,925	\$ 61,297	\$ 1,234,085
<i>Total Assets</i>	<u>\$ 152,864</u>	<u>\$ 59,998</u>	<u>\$ 315,001</u>	<u>\$ 644,925</u>	<u>\$ 61,297</u>	<u>\$ 1,234,085</u>
Net Assets						
Unrestricted	<u>\$ 152,864</u>	<u>\$ 59,998</u>	<u>\$ 315,001</u>	<u>\$ 644,925</u>	<u>\$ 61,297</u>	<u>\$ 1,234,085</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Business-Type Activities					Total Enterprise Funds
	Water	Sewer	New Well Capital Improvement	Sewer Capital Improvement	Other Enterprise Funds	
Operating Receipts						
Charges for Services	\$ 404,780	\$ 480,710	-	-	-	\$ 885,490
Intergovernmental	-	-	-	\$ 589,785	-	589,785
Other Operating Receipts	-	529	-	-	-	529
<i>Total Operating Receipts</i>	<u>404,780</u>	<u>481,239</u>	<u>-</u>	<u>589,785</u>	<u>-</u>	<u>1,475,804</u>
Operating Disbursements						
Personal Services	227,460	222,062	-	-	-	449,522
Contractual Services	77,366	186,427	-	251,599	-	515,392
Materials and Supplies	46,085	56,897	-	-	-	102,982
Capital Outlay	1,617	-	\$ 27,694	42,543	-	71,854
<i>Total Operating Disbursements</i>	<u>352,528</u>	<u>465,386</u>	<u>27,694</u>	<u>294,142</u>	<u>-</u>	<u>1,139,750</u>
<i>Operating Income (Loss)</i>	52,252	15,853	(27,694)	295,643	-	336,054
Non-Operating Receipts/(Disbursements)						
Principal Retirement	(14,422)	-	-	-	-	(14,422)
<i>Income (Loss) before Transfers</i>	37,830	15,853	(27,694)	295,643	-	321,632
Transfers In	-	5,413	12,399	53,476	\$ 1,814	73,102
Transfers Out	(27,104)	(58,000)	-	-	-	(85,104)
<i>Total Transfers</i>	<u>(27,104)</u>	<u>(52,587)</u>	<u>12,399</u>	<u>53,476</u>	<u>1,814</u>	<u>(12,002)</u>
<i>Change in Net Assets</i>	10,726	(36,734)	(15,295)	349,119	1,814	309,630
<i>Net Assets Beginning of Year</i>	<u>142,138</u>	<u>96,732</u>	<u>330,296</u>	<u>295,806</u>	<u>59,483</u>	<u>924,455</u>
<i>Net Assets End of Year</i>	<u>\$ 152,864</u>	<u>\$ 59,998</u>	<u>\$ 315,001</u>	<u>\$ 644,925</u>	<u>\$ 61,297</u>	<u>\$ 1,234,085</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Investments	\$ 3,262,468	\$ 924,455	\$ 4,186,923
<i>Total Assets</i>	<u>\$ 3,262,468</u>	<u>\$ 924,455</u>	<u>\$ 4,186,923</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 1,221,994	\$ -	\$ 1,221,994
Other Purposes	1,915,168	-	1,915,168
Unrestricted	<u>125,306</u>	<u>924,455</u>	<u>1,049,761</u>
<i>Total Net Assets</i>	<u>\$ 3,262,468</u>	<u>\$ 924,455</u>	<u>\$ 4,186,923</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and 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	\$ 793,418	\$ 185,006	-	-	\$ (608,412)	\$ -	\$ (608,412)
Security of Persons and Property	972,174	25,122	\$ 3,515	-	(943,537)	-	(943,537)
Public Health Services	29,308	16,244	-	-	(13,064)	-	(13,064)
Leisure Time Activities	279,594	42,872	-	-	(236,722)	-	(236,722)
Community Environment	240,407	85,742	-	-	(154,665)	-	(154,665)
Basic Utility Services	18,856	-	-	-	(18,856)	-	(18,856)
Transportation	2,350,674	217,509	-	\$ 100,326	(2,032,839)	-	(2,032,839)
Other	25,050	-	-	-	(25,050)	-	(25,050)
Redemption of Principal	86,034	-	-	-	(86,034)	-	(86,034)
<i>Total Governmental Activities</i>	<u>4,795,515</u>	<u>572,495</u>	<u>3,515</u>	<u>100,326</u>	<u>(4,119,179)</u>	<u>-</u>	<u>(4,119,179)</u>
Business Type Activities							
Water	347,659	415,527	-	-	-	67,868	67,868
Sewer	418,356	489,934	-	-	-	71,578	71,578
New Well Capital Improvement	1,310	-	-	-	-	(1,310)	(1,310)
Sewer Capital Improvement	483,714	-	-	-	-	(483,714)	(483,714)
<i>Total Business Type Activities</i>	<u>1,251,039</u>	<u>905,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(345,578)</u>	<u>(345,578)</u>
Total	<u>\$ 6,046,554</u>	<u>\$ 1,477,956</u>	<u>\$ 3,515</u>	<u>\$ 100,326</u>	<u>\$ (4,119,179)</u>	<u>\$ (345,578)</u>	<u>\$ (4,464,757)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					\$ 361,406	-	\$ 361,406
Special Purposes					145,543	-	145,543
Municipal Income Taxes					2,879,196	-	2,879,196
Grants and Entitlements not Restricted							
to Specific Programs					113,285	-	113,285
Interest					99,019	-	99,019
Proceeds of OPWC Loan					983,114	-	983,114
Miscellaneous					41,401	-	41,401
<i>Total General Receipts</i>					<u>4,622,964</u>	<u>-</u>	<u>4,622,964</u>
Transfers					20,509	\$ (20,509)	-
<i>Total General Receipts and Transfers</i>					<u>4,643,473</u>	<u>(20,509)</u>	<u>4,622,964</u>
Change in Net Assets					524,294	(366,087)	158,207
<i>Net Assets Beginning of Year</i>					<u>2,738,174</u>	<u>1,290,542</u>	<u>4,028,716</u>
<i>Net Assets End of Year</i>					<u>\$ 3,262,468</u>	<u>\$ 924,455</u>	<u>\$ 4,186,923</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Income Tax	South Springdale Improvements	Utilities Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 125,306	\$ 1,447,023	\$ 143,977	\$ 524,294	\$ 1,021,868	\$ 3,262,468
<i>Total Assets</i>	<u>\$ 125,306</u>	<u>\$ 1,447,023</u>	<u>\$ 143,977</u>	<u>\$ 524,294</u>	<u>\$ 1,021,868</u>	<u>\$ 3,262,468</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$ 125,306	-	-	-	-	\$ 125,306
Special Revenue Funds	-	\$ 1,447,023	-	-	\$ 468,145	1,915,168
Capital Projects Funds	-	-	\$ 143,977	\$ 524,294	553,723	1,221,994
<i>Total Fund Balances</i>	<u>\$ 125,306</u>	<u>\$ 1,447,023</u>	<u>\$ 143,977</u>	<u>\$ 524,294</u>	<u>\$ 1,021,868</u>	<u>\$ 3,262,468</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Income Tax	North Springdale Improvements	South Springdale Improvements	Utilities Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts							
Municipal Income Taxes	\$ 11,950	\$ 2,867,246	-	-	-	-	\$ 2,879,196
Property and Other Local Taxes	361,406	-	-	-	-	\$ 145,543	506,949
Charges for Services	189,562	-	-	\$ 133,816	\$ 56,626	67,210	447,214
Fines, Licenses and Permits	39,086	85,742	-	-	-	453	125,281
Intergovernmental	113,285	-	-	-	-	103,841	217,126
Interest	99,005	-	-	-	-	14	99,019
Miscellaneous	12,126	604	\$ 16,334	-	-	12,337	41,401
<i>Total Receipts</i>	<u>826,420</u>	<u>2,953,592</u>	<u>16,334</u>	<u>133,816</u>	<u>56,626</u>	<u>329,398</u>	<u>4,316,186</u>
Disbursements							
Current:							
General Government	265,147	528,271	-	-	-	-	793,418
Security of Persons and Property	831,887	-	-	-	-	140,287	972,174
Public Health Services	-	-	-	-	-	29,308	29,308
Leisure Time Activities	47,157	108,334	-	-	-	124,103	279,594
Community Environment	223,502	16,905	-	-	-	-	240,407
Basic Utility Services	18,856	-	-	-	-	-	18,856
Transportation	12,660	220,525	1,446,784	540,759	-	129,946	2,350,674
Other	-	-	-	-	-	25,050	25,050
Debt Service:							
Principal Retirement	-	-	-	49,156	-	36,878	86,034
<i>Total Disbursements</i>	<u>1,399,209</u>	<u>874,035</u>	<u>1,446,784</u>	<u>589,915</u>	<u>-</u>	<u>485,572</u>	<u>4,795,515</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(572,789)	2,079,557	(1,430,450)	(456,099)	56,626	(156,174)	(479,329)
Other Financing Sources (Uses)							
Proceeds of OPWC Loan	-	-	983,114	-	-	-	983,114
Transfers In	600,000	-	447,336	600,076	1,173	331,660	1,980,245
Transfers Out	(30,324)	(1,905,412)	-	-	-	(24,000)	(1,959,736)
<i>Total Other Financing Sources (Uses)</i>	<u>569,676</u>	<u>(1,905,412)</u>	<u>1,430,450</u>	<u>600,076</u>	<u>1,173</u>	<u>307,660</u>	<u>1,003,623</u>
<i>Net Change in Fund Balances</i>	(3,113)	174,145	-	143,977	57,799	151,486	524,294
Fund Balances Beginning of Year	128,419	1,272,878	-	-	466,495	870,382	2,738,174
Fund Balances End of Year	<u>\$ 125,306</u>	<u>\$ 1,447,023</u>	<u>\$ -</u>	<u>\$ 143,977</u>	<u>\$ 524,294</u>	<u>\$ 1,021,868</u>	<u>\$ 3,262,468</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Municipal Income Taxes	\$ 2,000	\$ 2,000	\$ 11,950	\$ 9,950
Property and Other Local Taxes	373,000	373,171	361,406	(11,765)
Charges for Services	106,250	181,400	189,562	8,162
Fines, Licenses and Permits	30,900	30,900	39,086	8,186
Intergovernmental	124,700	126,938	113,285	(13,653)
Interest	30,000	83,245	99,005	15,760
Miscellaneous	-	-	12,126	12,126
<i>Total receipts</i>	<u>666,850</u>	<u>797,654</u>	<u>826,420</u>	<u>28,766</u>
Disbursements				
Current:				
General Government	273,653	269,323	265,147	4,176
Security of Persons and Property	884,721	920,691	831,887	88,804
Leisure Time Activities	42,285	47,407	47,157	250
Community Environment	93,970	223,504	223,502	2
Basic Utility Services	20,320	19,076	18,856	220
Transportation	16,250	15,572	12,660	2,912
<i>Total Disbursements</i>	<u>1,331,199</u>	<u>1,495,573</u>	<u>1,399,209</u>	<u>96,364</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(664,349)	(697,919)	(572,789)	125,130
Other Financing Sources (Uses)				
Transfers In	600,000	600,000	600,000	-
Transfers Out	(46,500)	(30,500)	(30,324)	176
<i>Total Other Financing Sources (Uses)</i>	<u>553,500</u>	<u>569,500</u>	<u>569,676</u>	<u>176</u>
<i>Net Change in Fund Balance</i>	(110,849)	(128,419)	(3,113)	125,306
<i>Fund Balance Beginning of Year</i>	<u>128,419</u>	<u>128,419</u>	<u>128,419</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 17,570</u>	<u>\$ -</u>	<u>\$ 125,306</u>	<u>\$ 125,306</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Revenue - Income Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$ 2,350,000	\$ 2,671,869	\$ 2,867,246	\$ 195,377
Fines, Licenses and Permits	-	85,742	85,742	-
Miscellaneous	-	16,863	604	(16,259)
<i>Total receipts</i>	2,350,000	2,774,474	2,953,592	179,118
Disbursements				
Current:				
General Government	857,003	718,335	528,271	190,064
Leisure Time Activities	397,000	409,045	108,334	300,711
Community Environment	60,000	60,000	16,905	43,095
Transportation	1,233,092	1,041,596	220,525	821,071
Capital Outlay	5,200	-	-	-
<i>Total Disbursements</i>	2,552,295	2,228,976	874,035	1,354,941
<i>Excess of Receipts Over (Under) Disbursements</i>	(202,295)	545,498	2,079,557	1,534,059
Other Financing Sources (Uses)				
Transfers Out	(860,000)	(1,770,320)	(1,905,412)	(135,092)
<i>Total Other Financing Sources (Uses)</i>	(860,000)	(1,770,320)	(1,905,412)	(135,092)
<i>Net Change in Fund Balance</i>	(1,062,295)	(1,224,822)	174,145	1,398,967
<i>Fund Balance Beginning of Year</i>	1,251,878	1,251,878	1,251,878	-
Prior Year Encumbrances Appropriated	21,000	21,000	21,000	-
<i>Fund Balance End of Year</i>	<u>\$ 210,583</u>	<u>\$ 48,056</u>	<u>\$ 1,447,023</u>	<u>\$ 1,398,967</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities					Total Enterprise Funds
	Water	Sewer	New Well Capital Improvement	Sewer Capital Improvement	Other Enterprise Funds	
Assets						
Equity in Pooled Cash and Investments	\$ 142,138	\$ 96,732	\$ 330,296	\$ 295,806	\$ 59,483	\$ 924,455
<i>Total Assets</i>	<u>\$ 142,138</u>	<u>\$ 96,732</u>	<u>\$ 330,296</u>	<u>\$ 295,806</u>	<u>\$ 59,483</u>	<u>\$ 924,455</u>
Net Assets						
Unrestricted	<u>\$ 142,138</u>	<u>\$ 96,732</u>	<u>\$ 330,296</u>	<u>\$ 295,806</u>	<u>\$ 59,483</u>	<u>\$ 924,455</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities					Total Enterprise Funds
	Water	Sewer	New Well Capital Improvement	Sewer Capital Improvement	Other Enterprise Funds	
Operating Receipts						
Charges for Services	\$ 415,527	\$ 489,934	-	-	-	\$ 905,461
<i>Total Operating Receipts</i>	415,527	489,934	-	-	-	905,461
Operating Disbursements						
Personal Services	208,088	189,875	-	-	-	397,963
Contractual Services	65,646	184,922	-	\$ 399,289	-	649,857
Materials and Supplies	53,470	43,559	-	-	-	97,029
Capital Outlay	3,975	-	\$ 1,310	84,425	-	89,710
<i>Total Operating Disbursements</i>	331,179	418,356	1,310	483,714	-	1,234,559
<i>Operating Income (Loss)</i>	84,348	71,578	(1,310)	(483,714)	-	(329,098)
Non-Operating Receipts/(Disbursements)						
Principal Retirement	(16,480)	-	-	-	-	(16,480)
<i>Income (Loss) before Transfers</i>	67,868	71,578	(1,310)	(483,714)	-	(345,578)
Transfers In	-	4,554	16,630	64,125	\$ 420	85,729
Transfers Out	(31,738)	(74,500)	-	-	-	(106,238)
<i>Total Transfers</i>	(31,738)	(69,946)	16,630	64,125	420	(20,509)
<i>Change in Net Assets</i>	36,130	1,632	15,320	(419,589)	420	(366,087)
<i>Net Assets Beginning of Year</i>	106,008	95,100	314,976	715,395	59,063	1,290,542
<i>Net Assets End of Year</i>	\$ 142,138	\$ 96,732	\$ 330,296	\$ 295,806	\$ 59,483	\$ 924,455

See accompanying notes to the financial statements

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

The Village of Middlefield, Geauga 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 operates under a council/mayor form of government. Elected officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, and general administrative services.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

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. The Village does not have any 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 cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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. The Village does not apply FASB statements issued after November 30, 1989, to its governmental activities, business-type activities or to its enterprise funds. Following are the more significant of the Village's accounting policies.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

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.

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. 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental 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 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, 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. Nonmajor funds are aggregated and presented in a single column.

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

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.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Income Tax Fund, Sewer Plant Construction Fund, North Springdale Improvements Fund, South Springdale Improvements Fund and Utilities Capital Improvements. 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. The Income Tax Fund is used to account for the revenue raised by the Village income tax. The Sewer Plant Construction Fund uses OWDA funds to make necessary improvements to meet OEPA regulations. The North and South Springdale Improvements Funds are used to account for the construction and widening of an intersection at North and South Springdale. The Utilities Capital Improvement Fund is used to record the impact of new construction on the utilities. The expenditures are used for the utility infrastructure. The other governmental funds of the Village 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 enterprise.

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 Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

New Well Capital Improvement Fund - This fund is used to record tap-on-fees for new construction and expenditures that are used for water treatment expenses.

Sewer Capital Improvement Fund - This fund is used to record tap-on-fees for new construction and expenditures that are used for sewer treatment expenses.

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 MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriation 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 fund, department, and 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 appropriation were passed by the Village Council.

The appropriation 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".

Cash and cash equivalents that are held separately in accounts at a financial institution for retainage and bond reserves and debt service are reported as "Cash and Cash Equivalents with Fiscal Agents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2006 and 2005, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and 2005.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 were \$188,789 and \$99,005.

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. The Village had no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. 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.

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Village's cash basis financial statements report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Lease payments are reported when paid. The Village had no such transactions in 2006 or 2005.

M. 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.

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.

N. 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.

O. 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 nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and Income Tax 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 cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The Village had no outstanding encumbrances either year end.

Note 4 – Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the Village treasury. Such 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.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Custodial credit risk for deposits 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 December 31, 2005, \$2,423,941 of the Village's bank balance of \$2,723,941 which includes \$1,827,369 of non-negotiable certificates of deposit was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. At December 31, 2006, \$3,889,914 of the Village's bank balance of \$4,189,914 which includes \$2,094,079 of non-negotiable certificates of deposit was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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.

As of December 31, 2006 and 2005, the Village had \$1,600,000 invested in STAROhio.

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's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Income Taxes

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's Income Tax Department. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

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 2006 and 2005 represent the collection of 2005 and 2004 taxes. Real property taxes received in 2006 and 2005 were levied after October 1, 2005 and 2004, on the assessed values as of January 1, 2005 and 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2006 and 2005

Public utility property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 taxes, respectively. Public utility real and tangible personal property taxes received in 2006 and 2005 became a lien on December 31, 2005 and 2004, were levied after October 1, 2005 and 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 and 2005 (other than public utility property) represent the collection of 2005 and 2004 taxes, respectively. Tangible personal property taxes received in 2006 and 2005 were levied after October 1, 2005 and 2004, on the true value as of December 31, 2005 and 2004, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006 and 2005, was \$6.85 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

<u>2006</u>	
Real Property	
Residential and Agricultural	\$ 38,711,700
Other	34,685,420
Tangible Personal Property	
General	30,038,070
Public Utility	1,518,690
Total Assessed Value	<u>\$ 104,953,880</u>

<u>2005</u>	
Real Property	
Residential and Agricultural	\$ 32,294,580
Other	27,490,620
Tangible Personal Property	
General	41,457,900
Public Utility	1,592,790
Total Assessed Value	<u>\$ 102,835,890</u>

Note 7 – Risk Management

The Village of Middlefield has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability
- Law Enforcement Liability

Settled Claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

All employees of the Village are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 and 8.5 percent of their annual covered salaries, respectively. The Village's contribution rate for pension benefits for 2006 and 2005 was 13.70 and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$122,305, \$109,931, and \$108,923, respectively. The full amount has been contributed for 2006, 2005 and 2004.

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.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 24 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2006, 2005, and 2004 were \$74,848, \$58,810, and \$67,549. The full amount has been contributed for 2006, 2005 and 2004.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and 13.55 percent, respectively of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$40,177. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2006 and 2005

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 Postemployment 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, the total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions that were used to fund postemployment benefits were \$29,715 in 2006 for police. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Note 10 – Debt

The Village's long-term debt activity for the years ended December 31, 2006 and 2005 were as follows:

	<u>Interest Rates</u>	<u>Balance at 1/1/2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 12/31/2006</u>
O.P.W.C. Loans	0%	\$ 1,251,647	\$ -	\$ 120,768	\$ 1,130,879
	<u>Interest Rates</u>	<u>Balance at 1/1/2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 12/31/2005</u>
O.P.W.C. Loans	0%	\$ 371,047	\$ 983,114	\$ 102,514	\$ 1,251,647

The prior year ending debt balance was overstated by \$8,240.

The Ohio Public Works Commission Loans were used for improvements to the Village's water treatment and sewer treatment systems. The loans will be paid from user charges.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2006 and 2005

	O.P.W.C Loans Principal
Year Ending December 31:	
2007	\$ 135,186
2008	135,186
2009	135,186
2010	135,186
2011	135,186
2012-2016	343,340
2017-2021	56,238
2022-2026	55,371
Total	\$ 1,130,879

Note 11 - Interfund Transactions

The following is a reconciliation of the Village's operating transfers for 2006 and 2005:

	2006	
Fund	Transfers In	Transfers Out
General	\$ 625,000	\$ 81,465
Income Tax	-	883,000
Police Levy	-	15,000
Utility Capital Improvement	14,840	-
Equipment Replacement	77,235	-
Sewer Capital Improvements	42,500	-
New Well Capital Improvements	12,399	-
Streets	14,000	-
State Highway	9,272	-
Cemetery	18,000	-
Sidewalks	20,000	-
JAG	32,595	-
Parks and Recreation	180,000	-
Sick Leave	11,500	-
Water Revenue	-	27,104
Water Emergency	1,814	-
Sewer Revenue	5,414	58,000
Total	\$ 1,064,569	\$ 1,064,569

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2006 and 2005

Fund	2005	
	Transfers In	Transfers Out
General	\$ 600,000	\$ 30,324
Income Tax	-	1,905,412
Police Levy	-	24,000
Utility Capital Improvement	1,173	-
Equipment Replacement	84,784	-
Sewer Capital Improvements	64,125	-
New Well Capital Improvements	16,630	-
N. Springdale	447,336	-
S. Springdale	600,076	-
Streets	10,757	-
State Highway	6,619	-
Cemetery	18,000	-
Sidewalks	20,000	-
Parks and Recreation	180,000	-
Sick Leave	11,500	-
Water Revenue	-	31,738
Water Emergency	420	-
Sewer Revenue	4,554	74,500
Total	\$ 2,065,974	\$ 2,065,974

Transfers are made from the General fund to subsidize operations of other funds. Transfers are also made from other funds to move money for the payment of debt and capital expenditures. Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions.

Note 12 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Middlefield
Geauga County
14860 N. State Street
P.O. Box 1019
Middlefield, Ohio 44062

To the Village Council:

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 Middlefield, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's financial statements and have issued our report thereon dated December 15, 2007, wherein we noted that the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 Controls Over Financial Reporting

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

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 or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with 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 by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2006-Middlefield-01 to be a significant deficiency 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.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

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

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Village of Middlefield in a separate letter dated December 15, 2007.

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

Charles E. Harris and Associates, Inc.

December 15, 2007

**VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

Finding Number: 2006-Middlefield-01 Material Weakness

The Village of Middlefield prepares its financial statements in the cash format of Governmental Accounting Standards Board Statement (GASB) Number 34. During the year, the Village maintains its records in a traditional format and once a year, they have a consulting company perform this conversion GASB 34 look-alike statements. Although the Village's records during the year are materially correct, we noted that the consulting company posted many line items incorrectly, which required significant audit adjustments, including, but not limited to Proceeds of OPWC loans, Principal Retirement, Transfers, Capital Grants and Restricted Net Assets.

We recommend the Village ensure that the consulting company perform the conversion to the GASB 34 look-alike statements more accurately to avoid such audit adjustments.

Management's response:

Management believes the day-to-day operations of the Treasurer's office is run efficiently and accurately. The above mentioned issues are a result of the conversion company we feel that it is not a problem with the operations of the Village.

**VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY
For the Years Ending December 31, 2006 and 2005**

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, as of December 31, 2004, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MIDDLEFIELD

GEAUGA 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
MARCH 25, 2008**