



**Auditor of State
Betty Montgomery**

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

February 10, 2006

**Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

The discussion and analysis of the Caldwell Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$667,397 from fiscal year 2004.
- General revenues accounted for \$6,575,323 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,610,091 or 20 percent of total revenues of \$8,185,414.
- Total assets of governmental activities decreased by \$564,424 primarily due to a decrease in cash and cash equivalents and capital assets from fiscal year 2004.
- The School District had \$8,852,811 in expenses related to governmental activities; only \$1,610,091 of these expenses were offset by program specific charges for services and sales, grants, contributions, or interest. General revenues (primarily intergovernmental revenues and property taxes) of \$6,575,323 were not adequate enough to provide for these programs.
- The General Fund, one of the major funds, had \$6,716,099 in revenues and \$7,077,273 in expenditures. The General Fund's fund balance decreased to \$728,193 from \$1,112,367.
- The Bond Retirement Debt Service Fund, the other major fund, had \$239,961 in revenues and \$174,746 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$65,215.

Using this Annual Financial Report

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

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

**Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2004-2005 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement Debt Service Fund.

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

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

**Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$5,819,234	\$6,097,300
Capital Assets	6,349,421	6,635,779
Total Assets	12,168,655	12,733,079
Liabilities		
Long-Term Liabilities	(823,840)	(939,639)
Other Liabilities	(3,687,252)	(3,468,480)
Total Liabilities	(4,511,092)	(4,408,119)
Net Assets		
Invested in Capital		
Assets Net of Debt	5,959,421	6,115,779
Restricted	719,872	661,534
Unrestricted	978,270	1,547,647
Total Net Assets	\$7,657,563	\$8,324,960

Total assets decreased \$564,424. Cash and cash equivalents decreased by \$387,305 primarily due to increased expenses relating to salaries, fringe benefits, and material and supplies. Also, the book value of capital assets decreased \$286,358. The decrease is due to depreciation expense exceeding current year acquisitions of capital assets. These decreases were offset by an increase in intergovernmental receivables of \$17,159 due to portions of federal and state funding not being received until after the end of the fiscal year. In addition, there was an increase in property taxes receivable of \$103,555 due to an increase in agricultural/residential and public utility personal property tax valuations.

Total liabilities increased \$102,973, primarily due to increases in accrued wages and benefits payable and the associated intergovernmental payables. Also, claims payable increased by \$60,828 from the prior year. These increases are offset by the payment of principal on outstanding debt.

Net assets decreased \$667,397. This decrease can be attributed to the decreases in assets and increases in liabilities as stated above.

Table 2 shows the changes in net assets for fiscal year 2005, and comparisons to fiscal year 2004.

**Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

Table 2
Change in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
Program Revenues:		
Charges for Services and Sales	\$578,667	\$605,731
Operating Grants and Contributions	1,012,250	898,541
Capital Grants and Contributions and Interest	19,174	41,568
Total Program Revenues	<u>1,610,091</u>	<u>1,545,840</u>
General Revenues:		
Property Taxes	2,231,531	2,150,872
Grants and Entitlements	4,122,048	3,980,190
Other	221,744	162,771
Total General Revenues	<u>6,575,323</u>	<u>6,293,833</u>
Total Revenues	<u>8,185,414</u>	<u>7,839,673</u>
Program Expenses		
Instruction:		
Regular	3,732,090	3,633,789
Special	1,181,038	946,572
Vocational	175,605	147,457
Adult/Continuing	2,403	3,705
Support Services:		
Pupils	434,706	400,410
Instructional Staff	366,830	421,530
Board of Education	50,503	47,050
Administration	678,596	613,292
Fiscal	271,293	259,421
Operation and Maintenance of Plant	585,792	549,063
Pupil Transportation	680,508	610,036
Central	242	0
Operation of Non-Instructional Services	410,174	389,206
Extracurricular Activities	248,014	228,529
Interest	35,017	45,256
Total Expenses	<u>8,852,811</u>	<u>8,295,316</u>
Change in Net Assets	(667,397)	(455,643)
Net Assets Beginning of Year	8,324,960)	8,780,603
Net Assets End of Year	<u>\$7,657,563</u>	<u>\$8,324,960</u>

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

**Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

Our school district, which is dependent upon property taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. The last successful operating levy renewal was passed in the March 2004 election.

Property taxes made up 27 percent of governmental activities revenues for Caldwell Exempted Village Schools in fiscal year 2005. Unrestricted grants and entitlements increased by \$141,858 and made up 50 percent of governmental activities revenues during fiscal year 2005.

As can be seen from Table 2, the largest factor in the difference in the change in net assets can be attributed to increased expenses of \$557,495. This increase is due to salary and salary related costs associated with a 2 percent certified and 3 percent classified union contract increases from fiscal year 2004 levels as well as increased utilities and other operating costs. The largest Governmental Activities program expense is regular instruction, which comprises 42 percent of expenses. Interest expense during fiscal year 2005 was \$35,017 and was attributable to the outstanding bonds for school improvements.

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

Table 3
Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Instruction:				
Regular	\$3,732,090	\$3,318,805	\$3,633,789	\$3,225,891
Special	1,181,038	710,202	946,572	491,089
Vocational	175,605	147,725	147,457	113,891
Adult/Continuing	2,403	2,403	3,705	3,705
Support Services:				
Pupils	434,706	427,938	400,410	400,071
Instructional Staff	366,830	254,968	421,530	285,410
Board of Education	50,503	50,503	47,050	47,050
Administration	678,596	621,451	613,292	585,241
Fiscal	271,293	270,891	259,421	259,027
Operation and Maintenance of Plant	585,792	584,174	549,063	548,059
Pupil Transportation	680,508	650,920	610,036	589,748
Central	242	0	0	0
Operation of Non-Instructional Services	410,174	30,713	389,206	26,561
Extracurricular Activities	248,014	137,010	228,529	128,477
Interest	35,017	35,017	45,256	45,256
Total Expenses	<u>\$8,852,811</u>	<u>\$7,242,720</u>	<u>\$8,295,316</u>	<u>\$6,749,476</u>

The dependence upon tax revenues for governmental activities is apparent. Approximately 82 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,057,867 and expenditures of \$8,409,253. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$384,174. This net change indicates that the School District was not able to meet current obligations with current resources. The Bond Retirement Debt Service Fund had total revenues of \$239,961 and total expenditures of \$174,746. Fund balance increased by \$65,215 from the prior fiscal year.

General Fund Budgeting Highlights

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

For the General Fund, even though the budget basis revenues were \$47,978 above final budget estimates of \$6,640,228, the inadequate revenue for general fund operations is apparent from the net change in fund balance. This difference in the estimated amounts compared to the actual amounts was due to conservative estimates.

The School District's General Fund ending unobligated cash balance was \$414,558 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$6,349,421 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures in governmental activities. See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2005 the School District had \$390,000 in bonds outstanding, with \$130,000 due within one year. See Note 15 for more detailed information on the School District's debt.

**Caldwell Exempted Village School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited**

Contacting the School District's Financial Management

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

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Caldwell Exempted Village School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,477,767
Cash and Cash Equivalents with Fiscal Agents	727,009
Accounts Receivable	1,971
Intergovernmental Receivable	101,754
Materials and Supplies Inventory	989
Inventory Held for Resale	6,668
Prepaid Items	138,645
Property Taxes Receivable	2,364,431
Nondepreciable Capital Assets	381,096
Depreciable Capital Assets, Net	5,968,325
Total Assets	12,168,655
Liabilities	
Accounts Payable	72,749
Accrued Wages and Benefits Payable	951,396
Matured Compensated Absences Payable	23,330
Accrued Interest Payable	2,440
Intergovernmental Payable	219,824
Claims Payable	389,083
Deferred Revenue	2,028,430
Long-Term Liabilities:	
Due Within One Year	197,386
Due In More Than One Year	626,454
Total Liabilities	4,511,092
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,959,421
Restricted for:	
Capital Projects	15,442
Debt Service	403,121
Budget Stabilization	28,284
Other Purposes	273,025
Unrestricted	978,270
Total Net Assets	\$7,657,563

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services and Sales	Operating Grants Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,732,090	\$308,110	\$105,175	\$0	(\$3,318,805)
Special	1,181,038	0	470,836	0	(710,202)
Vocational	175,605	0	27,880	0	(147,725)
Adult/Continuing	2,403	0	0	0	(2,403)
Support Services:					
Pupils	434,706	0	6,768	0	(427,938)
Instructional Staff	366,830	0	111,862	0	(254,968)
Board of Education	50,503	0	0	0	(50,503)
Administration	678,596	0	57,145	0	(621,451)
Fiscal	271,293	0	402	0	(270,891)
Operation and Maintenance of Plant	585,792	1,306	0	312	(584,174)
Pupil Transportation	680,508	0	10,726	18,862	(650,920)
Central	242	0	242	0	0
Operation of Non-Instructional Services:					
Food Service Operations	332,138	132,871	169,119	0	(30,148)
Other Non-Instructional Services	78,036	29,182	48,289	0	(565)
Extracurricular Activities	248,014	107,198	3,806	0	(137,010)
Interest and Fiscal Charges	35,017	0	0	0	(35,017)
Total Governmental Activities	\$8,852,811	\$578,667	\$1,012,250	\$19,174	(7,242,720)
General Revenues					
Property Taxes Levied for:					
					1,975,786
					216,443
					39,302
					4,122,048
					60,239
					3,080
					158,425
					<u>6,575,323</u>
					Change in Net Assets (667,397)
					<u>Net Assets Beginning of Year 8,324,960</u>
					<u><u>Net Assets End of Year \$7,657,563</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,444,688	\$373,583	\$615,256	\$2,433,527
Materials and Supplies Inventory	0	0	989	989
Inventory Held for Resale	0	0	6,668	6,668
Accounts Receivable	1,093	0	878	1,971
Intergovernmental Receivable	0	0	101,754	101,754
Interfund Receivable	38,289	0	0	38,289
Prepaid Items	120,968	0	17,677	138,645
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	44,240	0	0	44,240
Property Taxes Receivable	2,089,567	233,188	41,676	2,364,431
Total Assets	<u>\$3,738,845</u>	<u>\$606,771</u>	<u>\$784,898</u>	<u>\$5,130,514</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$50,622	\$0	\$22,127	\$72,749
Accrued Wages and Benefits Payable	877,684	0	73,712	951,396
Matured Compensated Absences Payable	23,330	0	0	23,330
Interfund Payable	0	0	38,289	38,289
Intergovernmental Payable	193,466	0	26,358	219,824
Deferred Revenue	1,865,550	210,030	41,577	2,117,157
Total Liabilities	<u>3,010,652</u>	<u>210,030</u>	<u>202,063</u>	<u>3,422,745</u>
Fund Balances				
Reserved for Encumbrances	203,117	0	50,016	253,133
Reserved for Bus Purchase	15,956	0	0	15,956
Reserved for Unclaimed Monies	1,361	0	0	1,361
Reserved for Budget Stabilization	28,284	0	0	28,284
Reserved for Property Taxes	224,017	23,158	4,306	251,481
Unreserved:				
Designated for Budget Stabilization	40,000	0	0	40,000
Undesignated, Reported in:				
General Fund	215,458	0	0	215,458
Special Revenue Funds	0	0	228,565	228,565
Debt Service	0	373,583	0	373,583
Capital Projects Funds	0	0	299,948	299,948
Total Fund Balances	<u>728,193</u>	<u>396,741</u>	<u>582,835</u>	<u>1,707,769</u>
Total Liabilities and Fund Balances	<u>\$3,738,845</u>	<u>\$606,771</u>	<u>\$784,898</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 6,349,421

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	84,520	
Grants	4,207	
Total	<u>88,727</u>	88,727

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 337,926

Long-term liabilities and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(390,000)	
Compensated Absences	(433,840)	
Accrued Interest Payable	(2,440)	
Total	<u>(826,280)</u>	(826,280)

Net Assets of Governmental Activities \$7,657,563

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,969,252	\$215,643	\$39,169	\$2,224,064
Intergovernmental	4,355,205	24,318	767,094	5,146,617
Interest	52,834	0	342	53,176
Tuition and Fees	308,081	0	0	308,081
Extracurricular Activities	0	0	107,198	107,198
Rentals	1,306	0	0	1,306
Charges for Services	29	0	132,871	132,900
Contributions and Donations	2,155	0	4,139	6,294
Payments in Lieu of Taxes	3,080	0	0	3,080
Miscellaneous	24,157	0	50,994	75,151
Total Revenues	6,716,099	239,961	1,101,807	8,057,867
Expenditures				
Current:				
Instruction:				
Regular	3,399,597	0	102,294	3,501,891
Special	796,284	0	290,276	1,086,560
Vocational	146,078	0	323	146,401
Adult/Continuing	2,403	0	0	2,403
Support Services:				
Pupils	361,385	0	50,597	411,982
Instructional Staff	215,906	0	122,369	338,275
Board of Education	49,301	0	0	49,301
Administration	559,730	0	76,955	636,685
Fiscal	254,135	8,915	2,039	265,089
Operation and Maintenance of Plant	546,766	0	51,713	598,479
Pupil Transportation	584,369	0	4,516	588,885
Central	0	0	242	242
Operation of Non-Instructional Services:				
Food Service Operations	0	0	320,882	320,882
Other Non-Instructional Services	26,597	0	9,541	36,138
Extracurricular Activities	128,404	0	125,487	253,891
Capital Outlay	6,318	0	0	6,318
Debt Service:				
Principal Retirement	0	130,000	0	130,000
Interest and Fiscal Charges	0	35,831	0	35,831
Total Expenditures	7,077,273	174,746	1,157,234	8,409,253
Excess of Revenues Over (Under) Expenditures	(361,174)	65,215	(55,427)	(351,386)
Other Financing Sources (Uses)				
Transfers In	0	0	23,000	23,000
Transfers Out	(23,000)	0	0	(23,000)
Total Other Financing Sources (Uses)	(23,000)	0	23,000	0
Net Change in Fund Balances	(384,174)	65,215	(32,427)	(351,386)
Fund Balances Beginning of Year	1,112,367	331,526	615,262	2,059,155
Fund Balances End of Year	\$728,193	\$396,741	\$582,835	\$1,707,769

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds (\$351,386)

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

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

	Capital Asset Additions	67,025	
	Current Year Depreciation	<u>(349,720)</u>	(282,695)

Governmental funds only report the disposal of capital assets to the extent proceeds are received. In the statement of activities, a loss has been reported which represents the net carrying value of the assets since no amount was received from the disposal.

(3,663)

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

	Grants	219	
	Delinquent Property Taxes	<u>7,467</u>	7,686

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

130,000

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

814

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

	Compensated Absences	(14,201)	
	Pension Obligation	<u>62,851</u>	48,650

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

(216,803)

Change in Net Assets of Governmental Activities

(\$667,397)

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$1,895,111	\$1,895,111	\$1,957,704	\$62,593
Intergovernmental	4,399,574	4,399,574	4,350,667	(48,907)
Interest	40,150	40,150	49,607	9,457
Tuition and Fees	282,793	282,793	308,170	25,377
Rentals	1,600	1,600	1,306	(294)
Charges for Services	0	0	29	29
Contributions and Donations	0	0	2,155	2,155
Payments in Lieu of Taxes	3,000	3,000	3,080	80
Miscellaneous	18,000	18,000	15,488	(2,512)
Total Revenues	6,640,228	6,640,228	6,688,206	47,978
Expenditures				
Current:				
Instruction:				
Regular	3,578,778	3,578,778	3,437,477	141,301
Special	773,221	773,221	872,796	(99,575)
Vocational	157,884	157,884	142,933	14,951
Adult/Continuing	4,005	4,005	2,403	1,602
Support Services:				
Pupils	353,935	353,935	366,179	(12,244)
Instructional Staff	272,927	272,927	227,946	44,981
Board of Education	72,119	72,119	60,801	11,318
Administration	613,788	613,788	559,621	54,167
Fiscal	260,748	260,748	260,573	175
Operation and Maintenance of Plant	606,217	606,217	568,039	38,178
Pupil Transportation	655,644	655,644	583,676	71,968
Operation of Non-Instructional Services	2,732	2,732	26,341	(23,609)
Extracurricular Activities	142,528	142,528	126,249	16,279
Capital Outlay	7,000	7,000	6,318	682
Total Expenditures	7,501,526	7,501,526	7,241,352	260,174
Excess of Revenues Under Expenditures	(861,298)	(861,298)	(553,146)	308,152
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	0	18,922	18,922
Advances Out	0	0	(25,052)	(25,052)
Other Financing Uses	(112,393)	(112,393)	0	112,393
Transfers Out	(23,143)	(23,143)	(23,000)	143
Total Other Financing Sources (Uses)	(135,536)	(135,536)	(29,130)	106,406
Net Change in Fund Balance	(996,834)	(996,834)	(582,276)	414,558
Fund Balance Beginning of Year	1,553,490	1,553,490	1,553,490	0
Prior Year Encumbrances Appropriated	237,191	237,191	237,191	0
Fund Balance End of Year	\$793,847	\$793,847	\$1,208,405	\$414,558

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Statement of Fund Net Assets
Health Self-Insurance Internal Service Fund
June 30, 2005

Current Assets

Cash and Cash Equivalents with Fiscal Agents \$727,009

Total Assets 727,009

Current Liabilities

Claims Payable 389,083

Total Liabilities 389,083

Net Assets

Unrestricted \$337,926

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2005

Operating Revenues	
Charges for Services	\$1,414,647
Miscellaneous	83,274
	<u>1,497,921</u>
Operating Expenses	
Purchased Services	288,488
Claims	1,433,641
	<u>1,722,129</u>
Total Operating Revenues	<u>1,497,921</u>
Operating Loss	<u>(224,208)</u>
Non-Operating Revenues	
Interest	7,405
	<u>7,405</u>
Total Non-Operating Revenues	<u>7,405</u>
Change in Net Assets	(216,803)
Net Assets Beginning of Year	<u>554,729</u>
Net Assets End of Year	<u><u>\$337,926</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Statement of Cash Flows
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2005

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$1,414,647
Other Cash Receipts	83,274
Cash Payments for Goods and Services	(288,488)
Cash Payments for Claims	<u>(1,372,813)</u>

Net Cash Used for Operating Activities (163,380)

Cash Flows from Investing Activities

Interest on Investments 7,405

Net Decrease in Cash and Cash Equivalents (155,975)

Cash and Cash Equivalents Beginning of Year 882,984

Cash and Cash Equivalents End of Year \$727,009

**Reconciliation of Operating Loss to Net Cash
Used for Operating Activities**

Operating Loss (\$224,208)

Increase in Claims Payable 60,828

Net Cash Used for Operating Activities (\$163,380)

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$19,760</u></u>
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Liabilities

Due to Students	<u><u>\$19,760</u></u>
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See accompanying notes to the basic financial statements

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1 - Description of the School District and Reporting Entity

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

The School District is located in Caldwell, Ohio, in Noble County. The Board of Education controls the School District's three instructional/support facilities staffed by 46 classified employees, 76 certificated full-time teaching personnel, and 4 administrators who provide services to 963 students and other community members. The School District is the 483rd largest in the State of Ohio (among 612 school districts) in terms of enrollment.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB)

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

statements and interpretations issued on or before November 30, 1989, to its governmental activities and internal service fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

B. Fund Accounting

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

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

Bond Retirement Debt Service Fund The Bond Retirement Debt Service Fund is used to account for the accumulation of resources, primarily taxes, and expenditures related to the retirement of the School District's outstanding School Improvement General Obligation Bond.

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

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

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

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

C. Measurement Focus

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

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

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

E. Cash and Cash Equivalents

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

During fiscal year 2005, the School District's investments were limited to federal agency securities, and STAROhio. Federal agency securities are reported at fair value based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$52,834, which includes \$18,537 assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-term Obligations

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

L. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Restricted Assets

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

N. Fund Balance Reserves and Designations

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

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

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include food service operations, instructional and support services activities, and resources of state and federal grants restricted for specified purposes. The government-wide statement of net assets reports \$719,872 of restricted net assets. Of the restricted net assets \$543,414 has resulted from enabling legislation.

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

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Process

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

Note 3 - Change in Accounting Principles

For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 "Deposits and Investments" for required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation of this technical bulletin had no material effect on the School District's financial statements for fiscal year ended June 30, 2004.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

Note 4 - Accountability

At June 30, 2005, the Disadvantaged Pupil Impact Aid, Title I and Drug Free School Grant Special Revenue Funds had deficit fund balances in the amounts of \$4,269, \$533 and \$207, respectively. These deficits are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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basis are as follows:

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

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

Net Change in Fund Balance	
GAAP Basis	(\$384,174)
Net Adjustment for Revenue Accruals	(8,346)
Decrease in Fair Market Value of Investments - Fiscal Year 2004	1,301
Increase in Fair Market Value of Investments - Fiscal Year 2005	(1,926)
Fiscal Year 2004 Prepaid Items	116,105
Fiscal Year 2005 Prepaid Items	(120,968)
Net Adjustment for Expenditure Accruals	119,381
Advances Out	(25,052)
Encumbrances	<u>(278,597)</u>
Budget Basis	<u><u>(\$582,276)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At June 30, 2005, the School District's internal service fund had a balance of \$727,009 with OME-RESA, a claims servicing pool (See Note 16). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

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Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$71,473 of the School District's bank balance of \$171,473 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District 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 School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

Investment	Fair Value	Maturity
Federal Home Loan Bank Corporate Bond	\$149,579	11/28/2006
Federal Home Loan Bank Agency Note	199,000	11/10/2005
Federal Home Loan Bank Step Agency Note	199,750	05/24/2006
Federal Home Loan Bank Agency Discount Note	199,540	07/27/2005
Federal Home Loan Mortgage Corporation Agency Discount Note	225,952	12/30/2005
Federal Home Loan Mortgage Corporation Agency Discount Note	192,640	6/27/2006
First American Treasury Money Market Fund	16,002	Average 8 days
STAROhio	1,270,606	Average 30 days
Total	<u>\$2,453,069</u>	

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

Credit Risk. The Federal Home Loan Bank Corporate Bond carries a rating of Aaa from Moody's Investors Service and AAA from Standard and Poor's. The Federal Home Loan Bank Agency Note, Federal Home Loan Bank Step Agency Note, Federal Home Loan Bank Agency Discount Note, and Federal Home Loan Mortgage Corporation Agency Discount Notes carry a rating of AAA from both Moody's Investors Service and Standard and Poor's. The First American Treasury Money Market Fund carries a rating of AAAM from Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

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

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

Issuer	Amount Invested	Percentage of Total Investments
Federal Home Loan Bank Corporate Bond	\$149,579	6%
Federal Home Loan Bank Agency Note	199,000	8%
Federal Home Loan Bank Step Agency Note	199,750	8%
Federal Home Loan Bank Agency Discount Note	199,540	8%
Federal Home Loan Mortgage Corporation Agency Discount Notes	225,952	17%

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
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Tangible personal property tax revenues received in calendar 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Caldwell Exempted Village School District. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2005 and the late June personal property tax settlement, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late June personal property tax settlement were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2005, \$224,017 was available as an advance in the General Fund, \$4,306 was available to the Classroom Facilities Special Revenue Fund, and \$23,158 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2004, was \$212,469 in the General Fund, \$4,094 in the Classroom Facilities Special Revenue Fund, and \$22,040 in the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,673,050	71.05%	\$67,896,690	71.82%
Public Utility Personal	11,124,710	11.85%	12,279,160	12.99%
Tangible Personal Property	16,043,260	17.10%	14,357,570	15.19%
Total	<u>\$93,841,020</u>	<u>100.00%</u>	<u>\$94,533,420</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$34.70		 \$34.20	

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 8 - Receivables

Receivables at June 30, 2005, consisted of property taxes, interfund, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Lunch and Breakfast Reimbursements	\$18,590
Title V	2,081
Ohio READS	644
Special Idea Part B Grant	56,544
Title IIA Grant	5,926
Title I	5,829
Drug Free Grant	760
Title II-D	4,924
FEMA	1,623
Early Childhood Special Education	4,124
Student Reading Intervention	709
Total	\$101,754

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Nondepreciable Capital Assets				
Land	\$372,436	\$8,660	\$0	\$381,096
Depreciable Capital Assets				
Buildings and Improvements	9,392,054	48,243	(13,735)	9,426,562
Vehicles	1,149,749	4,237	0	1,153,986
Machinery, Equipment, Furniture, and Fixtures	1,243,708	5,885	(3,005)	1,246,588
Total Capital Assets Being Depreciated	11,785,511	58,365	(16,740)	11,827,136
Less Accumulated Depreciation:				
Buildings and Improvements	(3,643,741)	(220,602)	10,072	(3,854,271)
Vehicles	(870,140)	(67,514)	0	(937,654)
Machinery, Equipment, Furniture, and Fixtures	(1,008,287)	(61,604)	3,005	(1,066,886)
Total Accumulated Depreciation	(5,522,168)	(349,720) *	13,077	(5,858,811)
Total Capital Assets Being Depreciated, Net	6,263,343	(291,355)	(3,663)	5,968,325
Governmental Activities Capital Assets, Net	\$6,635,779	(\$282,695)	(\$3,663)	\$6,349,421

Caldwell Exempted Village School District
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* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$107,269
Special	35,335
Vocational	26,575
Support Services:	
Pupils	8,704
Instructional Staff	16,144
Board of Education	2,372
Administration	17,989
Fiscal	4,731
Operation and Maintenance of Plant	34,626
Pupil Transportation	76,555
Non-Instructional Services - Food Service Operations	13,844
Extracurricular Activities	5,576
Total Governmental Depreciation	\$349,720

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2005, consist of the following individual interfund receivables and payables:

	Interfund Receivable
Interfund Payable	General Fund
Other Nonmajor Governmental Funds	\$38,289

The interfund receivable in the General Fund is for loans made to the following federal grant funds until the federal grant monies are received: IDEA Part B, Drug Free Grant, Title V, and Miscellaneous Federal Grants Special Revenue Funds.

B. Interfund Transfers

A transfer was made during fiscal year 2005 for \$23,000 to the Food Service Special Revenue Fund from the General Fund. This transfer was made to move unrestricted balances to support this non-instructional program accounted for in a separate fund.

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 16). In addition, the School District contracted with Westfield Insurance Company for building, personal property, employee dishonesty, and equipment insurance. During fiscal year 2005, the School District purchased the following coverage:

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Ohio School Plan

Fleet Insurance:

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

Liability Coverages:

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

Westfield Insurance Company

Building and personal property	\$19,077,016	\$1,000 deductible
Football uniforms and equipment	\$25,000	\$500 deductible
Musical Instruments and related equipment	\$170,000	\$500 deductible
Employee Dishonesty	\$10,000	\$500 deductible

Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

B. Workers' Compensation

For fiscal year 2005, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

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

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays all but \$10 per month for classified employees and \$25 per month for certified employees in premiums for basic medical insurance. In addition, the School District pays the entire premium for dental and prescription drug coverage and also covers one-half of the cost of vision insurance for all employees. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$389,083 reported in the internal service fund at June 30, 2005, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. An external insurer covers claims in excess of \$115,000.

Changes in the fund's claims liability amount in 2004 and 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$425,111	\$999,727	\$1,096,583	\$328,255
2005	328,255	1,433,641	1,372,813	389,083

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on a eleven or twelve month basis earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less an eleven or twelve month basis do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 225 days for certified employees and up to 220 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 42 days plus one additional day for every three years spent in the School District. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation up to 32 total paid days plus one and one-half days of severance pay for every three years of continuous employment leading up to retirement.

B. Insurance

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$95,696, \$81,165, and \$69,365, respectively; 44 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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

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

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$433,823, \$432,718, and \$418,736 respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$870 made by the School District and \$7,043 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, there are no employees who have elected Social Security.

Note 14 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$33,371 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

Caldwell Exempted Village School District
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For the Fiscal Year Ended June 30, 2005

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$35,660.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

Note 15 - Long Term Obligations

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

	Outstanding 06/30/04	Additions	Reductions	Outstanding 06/30/05	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
1987 7.875% School Improvement	\$520,000	\$0	(\$130,000)	\$390,000	\$130,000
Compensated Absences	419,639	52,986	(38,785)	433,840	67,386
Total Governmental Activities					
Long-Term Liabilities	\$939,639	\$52,986	(\$168,785)	\$823,840	\$197,386

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

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include General Fund and the Food Service, IDEA Part B, Disadvantaged Pupil Impact Aid, Preschool Grant, and Title I Special Revenue Funds.

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2006	\$130,000	\$25,594	\$155,594
2007	130,000	15,356	145,356
2008	130,000	5,119	135,119
Total	\$390,000	\$46,069	\$436,069

The overall debt margin of the School District as of June 30, 2005, was \$8,904,749, with an unvoted debt margin of \$94,533.

Note 16 - Jointly Governed Organizations and Public Entity Risk Pools

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA includes school districts from 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payment for computer services to OME-RESA in fiscal year 2005 was \$21,295. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The **Mid-East Career and Technology Centers** is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Joint Vocational School District. To obtain financial information write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 45701.

The **East Central Ohio Special Education Regional Resource Center (ECO SERRC)** is a special education regional resource center which selects its own board, adopts its own budget, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in east central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2005, the School District paid \$2,329 to ECO SERRC. Financial information can be obtained by contacting Julie A Lynch, Treasurer at the

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Tuscarawas-Carroll-Harrison Education Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization including 131 school districts and other educational institutions in the 33-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. The board members consist of one member elected and one member appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from the Ohio University College of Education. The Coalition provides various in-service functions for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2005, the School District paid \$300 to the Coalition.

B. Public Entity Risk Pools

Group Insurance Purchasing Pools The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee for fiscal year 2005 was \$2,406.

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

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

Note 17 - Related Organization

The **Caldwell Public Library** is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Caldwell Exempted Village School District as presented by the Library. The Board of Trustees possesses its own

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Caldwell Public Library, Phyllis Hibinger, Clerk/Treasurer, at 517 Spruce Street, P.O. Box 230, Caldwell, Ohio 43724-0230.

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

The School District is currently party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 19 - Set-Asides

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

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

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

Caldwell Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

	Capital		Budget
	Textbooks	Improvements	Stabilization
Set-aside reserve balance as of June 30, 2004	(\$33,530)	\$0	\$28,284
Current year set-aside requirement	127,004	127,004	0
Current year offsets	0	(43,222)	0
Qualifying disbursements	(93,490)	(123,222)	0
Total	(\$16)	(\$39,440)	\$28,284
Set-aside balance carried forward to future fiscal years	(\$16)	\$0	\$28,284
Set-aside reserve balance as of June 30, 2005	\$0	\$0	\$28,284

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for textbooks and capital improvements. This extra amount may be carried forward and used to reduce the set-aside requirement of future years for textbooks but not for capital improvements. The negative balance in the capital improvements set-aside is therefore not presented as being carried forward to future years. The budget reserve set-aside amount represents a Bureau of Workers' Compensation rebate from 1998.

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**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ <i>Pass-Through Grantor/ Program Title</i>	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$12,567	\$0	\$12,567
School Breakfast Program	045252-05-PU-2004 045252-05-PU-2005	10.553 10.553	6,075 16,144		6,075 16,144	
Total School Breakfast Program			22,219	0	22,219	0
National School Lunch Program	045252-LL-P4-2004 045252-LL-P4-2005	10.555 10.555	24,539 73,836		24,539 73,836	
Total National School Lunch Program			98,375	0	98,375	0
Total United States Department of Agriculture - Child Nutrition Cluster			120,594	12,567	120,594	12,567
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies	045252-C1-S1-2004 045252-C1-S1-2005	84.010 84.010	(5,884) 209,641		16,304 205,791	
Total Title I			203,757	0	222,095	0
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	045252-6B-SF-2004 045252-6B-SF-2005	84.027 84.027	54,431 152,167		56,244 141,616	
Total Special Education Grants to States			206,598	0	197,860	0
Special Education-Preschool Grants	045252-PG-S1-2004 045252-PG-S1-2005	84.173 84.173	1,807 10,587		2,309 9,952	
Total Special Education-Preschool Grants			12,394	0	12,261	0
Total Special Education Cluster			218,992	0	210,121	0
Safe and Drug Free Schools and Communities- State Grants	045252-DR-S1-2004 045252-DR-S1-2005	84.186 84.186	(2,359) 8,652		5,078	
Total Safe and Drug Free Schools			6,293	0	5,078	0
Innovative Education Program Strategies (Title VI)	045252-C2-S1-2004 045252-C2-S1-2005	84.298 84.298	667 2,003		2,754 1,481	
Total Innovative Education Program Strategies			2,670	0	4,235	0
Education Technology State Grants	045252-TJ-S1-2004 045252-TJ-S1-2005	84.318 84.318	550 2,436		1,224 1,744	
Total Education Technology State Grants			2,986	0	2,968	0
Improving Teacher Quality State Grants	045252-TR-S1-2004 045252-TR-S1-2005	84.367 84.367	4,634 47,976		10,053 43,721	
Total Improving Teacher Quality State Grants			52,610	0	53,774	0
Total United States Department of Education			487,308	0	498,271	0
UNITED STATES DEPARTMENT OF HOMELAND SECURITY						
<i>Passed through the Ohio Emergency Management Agency:</i>						
Public Assistance Grants	FEMA-1556-DR-121-UY89Y-00	97.036	10,126		8,754	
Total United States Department of Homeland Security			10,126	0	8,754	0
Total Federal Awards Receipts and Expenditures			\$618,028	\$12,567	\$627,619	\$12,567

The accompanying Notes to this Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the School District had \$4,802 of food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D – TRANSFERS

During fiscal year 2005, the Ohio Department of Education (ODE) authorized the School District carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the carryovers and transfers are as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1S1-2004	\$ 5,884	\$
84.010	Title I Grants to Local Educational Agencies	C1S1-2005		5,884
84.186	Safe and Drug Free Schools	DRS1-2004	3,015	
84.186	Safe and Drug Free Schools	DRS1-2004		3,015
84.318	Education Technology State Grants	TJS1-2004	24	
84.318	Education Technology State Grants	TJS1-2004		24
84.367	Improving Teacher Quality State Grants	TRS1-2004	1,067	
84.367	Improving Teacher Quality State Grants	TRS1-2004		1,067
Totals			<u>\$ 9,990</u>	<u>\$ 9,990</u>



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the School District's management dated February 10, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

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

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

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

Betty Montgomery
Auditor of State

February 10, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the compliance of Caldwell Exempted Village School District, Noble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

Caldwell Exempted Village School District
Noble County
Independent Accountants' Report on Compliance with Requirements Applicable
To Each Major Federal Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

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

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

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

Betty Montgomery
Auditor of State

February 10, 2006

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 02, 2006**