



**Auditor of State
Betty Montgomery**

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Coldwater Exempted Village School District
Mercer County
310 North Second Street
Coldwater, Ohio 45828

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coldwater Exempted Village School District, Mercer County, (the School District), as of and for the fiscal 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the fiscal year ended June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure schedule 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 federal awards expenditure schedule 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.



Betty Montgomery
Auditor of State

December 19, 2005

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)**

The discussion and analysis of the Coldwater Exempted Village School District's (the School District) 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 performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- General Receipts accounted for \$11,802,290 in revenue or 49% of all receipts. Program specific receipts in the form of charges for services, grants, and contributions accounted for \$12,410,111 or the other 51% of total receipts of \$24,212,401.
- Total program expenditures were \$25,638,881; 98% of which are in governmental activities.
- Outstanding bonded debt decreased from \$11,710,989 to \$11,254,855 through the payment of loan and bond principal amounts.

Using this Annual Report

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

The *Statement of Net Assets and Statement of Activities* 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 most significant funds with all other non-major funds presented in total in one column. In the case of the Coldwater Exempted Village School District, the general fund is by far the most significant fund.

Basis of Accounting

The School District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question.

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 which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, 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 fund begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General Fund, Building Fund, and the OSFC Building 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 a modified cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. 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.

Proprietary Funds – When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Activities and Net Assets. The School District has four enterprise funds – the Food Service Fund, Workbooks and Supplies Fund, Horticulture and Agriculture Mechanics Fund and the Adult Education Fund.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Reporting the District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19 and 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal years 2005 and 2004:

**(Table 1)
Net Assets – Modified Cash Basis**

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004
ASSETS				
Equity in Pooled Cash and cash equivalents	\$ 5,457,941	\$ 7,147,190	\$ 86,790	\$ 49,108
Cash and cash equivalents with Escrow Agents	309,762	0	0	0
Investments	9,208,513	9,293,188	0	0
Total Assets	\$ 14,976,216	\$ 16,440,378	\$ 86,790	\$ 49,108
NET ASSETS				
Restricted:				
Capital Projects	\$ 12,282,820	\$ 14,047,875	\$ 0	\$ 0
Debt Service	438,614	391,837	0	0
Other Purposes	523,439	492,304	0	0
Unrestricted	1,731,343	1,508,362	86,790	49,108
Total Net Assets	\$ 14,976,216	\$ 16,440,378	\$ 86,790	\$ 49,108

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

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

**(Table 2)
Change in Net Assets**

	2005 Governmental Activities	2005 Business-Type Activities	2004 Governmental Activities	2004 Business-Type Activities
Receipts				
Program Receipts				
Charges for Services	\$ 319,502	\$ 367,056	\$ 341,921	\$ 327,765
Operating Grants	1,251,323	99,582	1,151,529	76,819
Capital Grants	10,372,648	0	6,168,600	0
General Receipts				
Property Taxes	4,037,929	0	4,011,606	0
Income Taxes	559,825	0	503,523	0
Payments in lieu of Taxes	53,400	0	47,296	0
Grants and Entitlements	6,672,891	0	6,661,711	0
Proceeds from Sale of Capital Assets	3,977	13,075	3,989	0
Interest	331,571	729	395,522	488
Miscellaneous	115,945	12,948	198,523	14,818
Total Receipts	23,719,011	493,390	19,484,220	419,890
Program Expenditures				
Instruction	7,948,054	0	7,869,411	0
Support Services	3,049,416	0	3,144,368	0
Non-Instructional	1,195	0	0	0
Extracurricular	576,941	0	582,677	0
Capital Outlay	12,457,918	0	2,903,515	0
Debt Service	1,149,649	0	1,148,959	0
Vocation Education Programs	0	5,469	0	6,395
Food Services	0	426,033	0	427,104
Uniform School Supplies	0	24,206	0	27,023
Total Expenditures	25,183,173	455,708	15,648,930	460,522
Increase (Decrease) in Net Assets	<u>\$(1,464,162)</u>	<u>\$ 37,682</u>	<u>\$ 3,835,290</u>	<u>\$(40,632)</u>

Several receipt sources fund the School District's governmental activities with grants and entitlements being the largest contributor. Grants and entitlements generated approximately \$6.7 million during 2005. General receipts from property taxes are also a large generator, of \$4 million.

The significant changes in net assets were due to (1) Governmental Activities capital grants and capital outlay expenditures due to the Ohio School Facilities Commission building construction and renovation project, (2) Business Type Activities charges for services due to an average 18% increase for food service charges, and (3) Business Type Activities operating grants due to increased reimbursement grant receipts for the lunches sold.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants 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 \$13 million cost of these services which must be supported by tax revenue and unrestricted State entitlements.

**(Table 3)
Governmental Activities**

	2005	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 7,948,054	\$ 6,895,098
Support Services:		
Pupil and Instructional Staff	711,572	614,261
Board of Education, Administration and Fiscal	1,194,618	1,186,390
Operation and Maintenance of Plant	807,428	807,218
Pupil Transportation	334,598	317,827
Central Services	1,200	379
Operation of Non-Instructional	1,195	377
Extracurricular Activities	576,941	298,142
Capital Outlay	12,457,918	2,085,270
Debt Service	1,149,649	1,034,738
Total	\$25,183,173	\$13,239,700
	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 7,869,411	\$ 6,910,575
Support Services:		
Pupil and Instructional Staff	802,637	720,245
Board of Education, Administration and Fiscal	1,159,620	1,159,620
Operation and Maintenance of Plant	755,189	749,957
Pupil Transportation	421,565	408,882
Central Services	5,357	5,357
Extracurricular Activities	582,677	287,615
Capital Outlay	2,903,515	(3,265,085)
Debt Service	1,148,959	1,009,714
Total	\$15,648,930	\$ 7,986,880

For fiscal year 2005, Instruction, pupil and instructional staff support services, and extracurricular activities comprise 37% of governmental program expenditures. Interest, fiscal and administration charges were 9%. Interest expense was attributable to the outstanding bonds, fiscal expenditures include payments to the County Auditor(s) for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation/maintenance of facilities accounts for 5% of governmental program expenditures. Capital outlay accounts for 49% of governmental program expenditures. Except for capital outlay, the net costs of services are similar to fiscal year 2004. The reason for the significant fluctuation that occurred in capital outlay is due to the Ohio School Facilities Commission building construction and renovation project.

The dependence upon tax receipts and unrestricted State entitlements for governmental activities is apparent.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

Business-Type Activities

In reviewing the business-type activities' net receipts/disbursements resulting from cash basis transactions, there are certain activities that need to be examined.

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.

During the course of fiscal year 2005, the School District did not significantly modify its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue was \$10,930,395, over the original budget estimates of \$10,887,624. Of this \$42,771 increase, most was attributable to an increase in property tax revenue.

Set Aside and Debt Administration

Set Aside

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks (see note 12). For fiscal year 2005, this amounted to \$219,062 for each set aside. The School District has qualifying disbursements and offsets for capital acquisition equaling \$101,489. For the textbooks, the School District disbursed \$170,204 with the remainder scheduled to be carried forward into the 2006 fiscal year.

Debt

At June 30, 2005, the School District's outstanding debt included \$11,007,025 of general obligation bonds issued for improvements to buildings and structures, \$24,830 of a loan for asbestos removal, and \$223,000 of a bank loan used to purchase the Junior High building. For additional information regarding the School District's debt, refer to Note 8 to the basic financial statements.

Current Issues

The Coldwater Exempted Village School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy was passed by the residents of the district during November 2004, as a five year operating levy of property tax.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). 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 was 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.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 17% of revenues for governmental activities for the Coldwater Exempted Village School District during fiscal year 2005.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(UNAUDITED)
(Continued)**

The School District has also been affected by income instability and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that every attempt is made not to seek additional operating levies from the voters in the near future. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court during March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Coldwater Exempted Village School District has not anticipated any meaningful growth in State revenue. The concern is the State Legislative approval of the biennial budget, effective July 1, 2005 may have a negative impact on the district in the near future. The impact of the cost-of-doing-business factor reduction coupled with stable enrollment will have a negative impact on intergovernmental revenue over the next two years.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Current Building Issues

As part of the Ohio School Facilities Commission (OSFC) project for renovations and additions, the School District passed a 5.6 mill bond issue levy and a .5 mill maintenance fund levy during November 2002. This levy will run for 23 years with the state share comprising 79% of the building costs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Sherry Shaffer, Treasurer of Coldwater Exempted Village School District, 310 North 2nd Street, Coldwater, OH 45828.

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Equity is Pooled Cash and Cash Equivalents	\$5,457,941	\$86,790	\$5,544,731
Cash and Cash Equivalents with Escrow Agents	309,762		309,762
Investments	9,208,513		9,208,513
Total Assets	14,976,216	86,790	15,063,006
Net Assets			
Restricted for:			
Capital Projects	12,282,820		12,282,820
Debt Service	438,614		438,614
Other Purposes	523,439		523,439
Unrestricted (Deficit)	1,731,343	86,790	1,818,133
Total Net Assets	\$14,976,216	\$86,790	\$15,063,006

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	
Governmental Activities:				
Instruction				
Regular	\$5,929,641	\$38,543	\$165,427	
Special	1,411,566		704,204	
Vocational Education	606,847		144,782	
Support Services				
Pupil	518,251		97,311	
Instructional Staff	193,321			
Board of Education	12,613			
Administration	878,839	311		
Fiscal	303,166		7,917	
Operation and Maintenance of Plant	807,428	210		
Pupil Transportation	334,598		16,771	
Central	1,200	821		
Operation of Non-Instructional Services	1,195	818		
Extracurricular Activities	576,941	278,799		
Capital Outlay				
Site Acquisition	75,358			
Facilities Acquisition and Construction	12,382,560			10,372,648
Debt Service	1,149,649		114,911	
Total Governmental Activities	25,183,173	319,502	1,251,323	10,372,648
Business-Type Activities:				
Uniform School Supplies	24,206	27,013		
Food Services	426,033	340,043	99,582	
Vocational Sales and Services	5,469			
Total Business-Type Activities	455,708	367,056	99,582	
Totals	\$25,638,881	\$686,558	\$1,350,905	\$10,372,648

General Receipts

Property Taxes Levied for:

 General Purposes

 Debt Service

 Classroom Facilities & Maintenance

Income Taxes

Payments in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Programs

Proceeds from Sale of Capital Assets

Interest

Miscellaneous

 Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the financial statements.

**Net (Disbursements) Receipts
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
(\$5,725,671)		(\$5,725,671)
(707,362)		(707,362)
(462,065)		(462,065)
(420,940)		(420,940)
(193,321)		(193,321)
(12,613)		(12,613)
(878,528)		(878,528)
(295,249)		(295,249)
(807,218)		(807,218)
(317,827)		(317,827)
(379)		(379)
(377)		(377)
(298,142)		(298,142)
(75,358)		(75,358)
(2,009,912)		(2,009,912)
(1,034,738)		(1,034,738)
<u>(13,239,700)</u>		<u>(13,239,700)</u>
	2,807	2,807
	13,592	13,592
	<u>(5,469)</u>	<u>(5,469)</u>
	10,930	10,930
<u>(13,239,700)</u>	<u>10,930</u>	<u>(13,228,770)</u>
2,993,110		2,993,110
996,823		996,823
47,996		47,996
559,825		559,825
53,400		53,400
6,672,891		6,672,891
3,977	13,075	17,052
331,571	729	332,300
115,945	12,948	128,893
<u>11,775,538</u>	<u>26,752</u>	<u>11,802,290</u>
(1,464,162)	37,682	(1,426,480)
<u>16,440,378</u>	<u>49,108</u>	<u>16,489,486</u>
<u>\$14,976,216</u>	<u>\$86,790</u>	<u>\$15,063,006</u>

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General Fund</u>	<u>Building Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,699,828	\$218,540	\$2,347,701	\$1,160,357	\$5,426,426
Cash and Cash Equivalents with Escrow Agents			309,762		309,762
Investments		3,867,575	5,340,938		9,208,513
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	31,515				31,515
Total Assets	<u>1,731,343</u>	<u>4,086,115</u>	<u>7,998,401</u>	<u>1,160,357</u>	<u>14,976,216</u>
Fund Balances					
Reserved for Encumbrances	213,580	126,681	9,925,500	36,670	10,302,431
Reserved for Budget Stabilization	30,977				30,977
Reserved for Bus Purchase	538				538
Designated Budget Stabilization	143,000				143,000
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,343,248				1,343,248
Special Revenue Funds				511,907	511,907
Debt Service Funds				438,614	438,614
Capital Projects Funds		3,959,434	(1,927,099)	173,166	2,205,501
Total Fund Balances	<u>\$1,731,343</u>	<u>\$4,086,115</u>	<u>\$7,998,401</u>	<u>\$1,160,357</u>	<u>\$14,976,216</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Building Fund</u>	<u>OSFC Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts					
Taxes					
Property Taxes	\$2,993,110			\$1,044,819	\$4,037,929
Income Taxes	559,825				559,825
Payments in Lieu of Taxes				53,400	53,400
Intergovernmental	7,211,117		10,369,723	716,021	18,296,861
Interest	62,036	94,430	175,105		331,571
Tuition and Fees	39,739			965	40,704
Extracurricular Activities				278,799	278,799
Miscellaneous	64,568			43,007	107,575
Total Receipts	<u>10,930,395</u>	<u>94,430</u>	<u>10,544,828</u>	<u>2,137,011</u>	<u>23,706,664</u>
Disbursements					
Current:					
Instruction					
Regular	5,605,141			319,738	5,924,879
Special	1,101,984			309,582	1,411,566
Vocational Education	606,847				606,847
Support Services					
Pupil	422,593			95,658	518,251
Instructional Staff	192,181			1,140	193,321
Board of Education	12,613				12,613
Administration	878,483			356	878,839
Fiscal	280,308			22,858	303,166
Operation and Maintenance of Plant	783,689			23,739	807,428
Pupil Transportation	334,371			227	334,598
Central	1,200				1,200
Operation of Non-Instructional Services	1,195				1,195
Extracurricular Activities	277,225			296,509	573,734
Capital Outlay					
Site Acquisition				75,358	75,358
Facilities Acquisition and Construction	44,084	39,772	12,154,677		12,238,533
Debt Service					
Repayment of Principal	43,553			412,581	456,134
Interest	10,643			682,872	693,515
Total Disbursements	<u>10,596,110</u>	<u>39,772</u>	<u>12,154,677</u>	<u>2,240,618</u>	<u>25,031,177</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>334,285</u>	<u>54,658</u>	<u>(1,609,849)</u>	<u>(103,607)</u>	<u>(1,324,513)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	3,977				3,977
Other Financing Sources	7,926			444	8,370
Advances-In	10,300			20,000	30,300
Transfers-In	194			110,000	110,194
Transfers-Out	(110,194)				(110,194)
Advances-Out	(20,300)			(10,000)	(30,300)
Other Financing Uses	(3,207)	(60,491)	(83,536)	(4,762)	(151,996)
Total Other Financing Sources (Uses)	<u>(111,304)</u>	<u>(60,491)</u>	<u>(83,536)</u>	<u>115,682</u>	<u>(139,649)</u>
Net Change in Fund Balances	<u>222,981</u>	<u>(5,833)</u>	<u>(1,693,385)</u>	<u>12,075</u>	<u>(1,464,162)</u>
Fund Balances Beginning	1,508,362	4,091,948	9,691,786	1,148,282	16,440,378
Fund Balances End of Year	<u>\$1,731,343</u>	<u>\$4,086,115</u>	<u>\$7,998,401</u>	<u>\$1,160,357</u>	<u>\$14,976,216</u>
Reserved for Encumbrances	<u>\$213,580</u>	<u>\$126,681</u>	<u>\$9,925,500</u>	<u>\$36,670</u>	<u>\$10,302,431</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$2,917,408	\$2,908,168	\$2,993,110	\$84,942
Income Taxes	522,827	559,825	559,825	
Intergovernmental	7,229,889	7,219,915	7,211,117	(8,798)
Interest	33,000	58,000	62,036	4,036
Tuition and Fees	46,950	43,200	39,739	(3,461)
Miscellaneous	137,550	92,550	64,568	(27,982)
Total Receipts	<u>10,887,624</u>	<u>10,881,658</u>	<u>10,930,395</u>	<u>48,737</u>
Disbursements				
Current:				
Instruction				
Regular	5,806,772	5,839,282	5,637,346	201,936
Special	1,150,977	1,157,999	1,122,874	35,125
Vocational Education	631,073	664,746	626,231	38,515
Support Services				
Pupil	434,406	505,594	423,714	81,880
Instructional Staff	242,481	245,361	192,981	52,380
Board of Education	20,052	20,552	12,705	7,847
Administration	925,534	930,546	883,600	46,946
Fiscal	292,421	319,685	286,317	33,368
Operation and Maintenance of Plant	817,117	868,853	838,911	29,942
Pupil Transportation	421,691	439,091	405,261	33,830
Central	2,500	2,500	2,500	
Operation of Non-Instructional Services	1,500	1,500	1,195	305
Extracurricular Activities	265,917	295,422	277,225	18,197
Capital Outlay				
Facilities Acquisition and Construction	45,013	45,013	44,634	379
Debt Service				
Repayment of Principal	46,857	50,000	43,553	6,447
Interest	10,643	10,643	10,643	
Total Disbursements	<u>11,114,954</u>	<u>11,396,787</u>	<u>10,809,690</u>	<u>587,097</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(227,330)</u>	<u>(515,129)</u>	<u>120,705</u>	<u>635,834</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets		700	3,977	3,277
Other Financing Sources		7,926	7,926	
Advances-In		10,000	10,300	300
Transfers-In		194	194	
Transfers - Out	(110,194)	(110,194)	(110,194)	
Advances-Out	(17,300)	(20,300)	(20,300)	
Other Financing Uses	(3,671)	(3,671)	(3,207)	464
Total Other Financing Sources (Uses)	<u>(131,165)</u>	<u>(115,345)</u>	<u>(111,304)</u>	<u>4,041</u>
Net Change in Fund Balance	<u>(358,495)</u>	<u>(630,474)</u>	<u>9,401</u>	<u>639,875</u>
Fund Balance Beginning of Year	<u>1,394,890</u>	<u>1,394,890</u>	<u>1,394,890</u>	
Prior Year Encumbrances Appropriated	<u>113,472</u>	<u>113,472</u>	<u>113,472</u>	
Fund Balance End of Year	<u>\$1,149,867</u>	<u>\$877,888</u>	<u>\$1,517,763</u>	<u>\$639,875</u>

See accompanying notes to the financial statements.

**COLDWATER EMEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2005**

	<u>Business - Type Activity</u>
	<u>Enterprise</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$86,790</u>
Total Assets	<u><u>86,790</u></u>
Net Assets	
Unrestricted	<u>86,790</u>
Total Net Assets	<u><u>\$86,790</u></u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	Business-Type Activity
	Enterprise
Operating Receipts	
Food Services	\$340,043
Classroom Materials and Fees	27,014
	367,057
Operating Disbursements	
Salaries	146,620
Fringe Benefits	77,619
Purchased Services	10,895
Materials and Supplies	218,337
Other	2,237
	455,708
Total Operating Expenses	455,708
Operating Loss	(88,651)
Non-Operating Revenues (Expenses)	
Interest	729
Miscellaneous	12,948
Proceeds from the Sale of Capital Assets	13,075
Federal and State Subsidies	99,582
	126,334
Total Non-Operating Revenues (Expenses)	126,334
Change in Net Assets	37,683
Net Assets Beginning of Year	49,107
Net Assets End of Year	\$86,790

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets		
Equity Pooled in Cash and Cash Equivalents	<u>\$166,566</u>	<u>\$23,756</u>
 Net Assets		
Endowment	130,000	
Held in Trust for Scholarships	36,566	
Held in Trust for Students		16,593
Held in Trust for Employees		<u>7,163</u>
Total Net Assets	<u>\$166,566</u>	<u>\$23,756</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Private Purpose Trust</u>
Additions	
Investment Income	\$4,331
Total Additions	4,331
Deductions	
Scholarships	2,250
Supplies and Materials	900
Other	2,007
Total Deductions	5,157
Change in Net Assets	(826)
Net Assets - Beginning of Year	167,392
Net Assets - End of Year	<u>\$166,566</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Coldwater Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is located in a community within Mercer County, consisting of residences and significant office and retail commercial development. The School District is staffed by 50 non-certificated employees, 111 certificated employees who provide services to 1,628 students and other community members.

The reporting entity is comprised of the primary government and other organizations that are included to insure that the 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 Coldwater Exempted Village School District, this includes general operations, food service, and student related activities of the School District. There are no component units.

The School District is associated with five jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Mercer County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., OASBO/Sheakley Workers' Compensation Group Rating Program, and the Mercer-Auglaize Schools Employee Benefits Trust. These organizations are presented in Notes 13 and 14 of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the school district's financial report to follow generally accepted accounting principles, the school district chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. The school district recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The school district also reports long-term investments as assets, valued at cost.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgetary presentations report budgetary expenditures when a commitment is made (i.e, when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation - Fund Accounting

1. Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. The statements include all funds of the School District except for fiduciary funds.

The Statement of Net Assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The Statement of Activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities and for the business-type activities of the School District. Disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

2. Fund Financial Statements

During the 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. The focus of governmental and enterprise fund/business type activity financial statement is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts and disbursements. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

3. Governmental Funds/Governmental Activities

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

General Fund - The General Fund is the primary operating fund of the School District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Building Fund – This fund is used to account for the specific receipts to be used for the new school facility.

OSFC Building Fund – This fund is used to account for the specific receipts to be used for the new school facility.

4. Proprietary Fund/Business-Type Activities

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's proprietary fund types include food services, uniform school supplies, vocational education programs and adult education program.

5. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust funds account for endowments and scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and an employees Section 125 reimbursement account.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the two digit function level within each function of each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2004 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." Cash and cash equivalents that are held separately for the School District by escrow agents for retainage payments are recorded as "Cash and Cash Equivalents with Escrow Agent".

Investments of the School District's 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2005, the School District invested in nonnegotiable certificates of deposits, mutual funds, government securities, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2005 was \$62,036, which included \$25,435 assigned from other School District funds.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the General Fund include unexpended revenues restricted for bus purchases.

F. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

H. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received

J. Inventory and Prepaid Items

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

K. Interfund Receivables/Payables

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recording as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/disbursements in the reimbursing fund and a reduction in expenditures/disbursement in the reimbursed fund.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements. At June 30, 2005, the General Fund had unpaid interfund cash advances, in the amount of \$18,000 for short-term loans made to the Student Intervention, Title V, Title IV, and Title IID special revenue funds. These are expected to be repaid within one year. There is also an unpaid interfund cash advance in the amount of \$1,000 from fiscal year 2004 that was made from the General Fund to the Employee Section 125 Account Fund, which the Board intends to turn this advance into a permanent transfer in fiscal year 2006.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Equity Classifications

1. Government-Wide Statements

Equity is classified as net assets, and displayed in separate components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

Net assets restricted for other purposes include resources restricted for public school support programs, athletic programs, employee termination benefits, classroom facilities and maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2005, the following represent the amount restricted by enabling legislation: classroom facilities and maintenance levy - \$47,996, and bond retirement levy - \$996,823.

2. Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

The School District records reservations for portions of fund balances which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, budget stabilization, and bus purchase subsidy. The designations for budget stabilization represent revenue set aside that exceeds statutorily required amounts.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for service, operating and capital grants and contributions.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, non-capital financing, or investing activities.

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure". GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or other obligations 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School district, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$5,974,178 and the bank balance was \$5,989,455. Of the bank balance, \$221,499 was covered by federal depository insurance and \$5,767,956 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2005 the School District has \$1,868 in undeposited cash on hand. This amount is included in cash and cash equivalents.

B. Investments

As of June 30, 2005, the district had the following investments:

<u>Investments</u>	<u>Carrying Value</u>	<u>% of Investment Balance</u>
Mutual Funds	\$ 708,041	7.63%
STAR Ohio	68,769	.74
Federal Home Loan Bank Agency	8,500,472	91.63
Totals	<u>\$9,277,282</u>	<u>100.00%</u>

	<u>Investment Maturities (in years)</u>		
	<u>Carrying Value</u>	<u>0-1</u>	<u>1-2</u>
Federal Home Loan Banks	\$4,000,000	\$2,550,000	\$1,450,000
Federal Home Loan Mortgage Corporation Medium Term Note	4,500,472 *	0	4,500,472
Money Market Mutual Fund	708,041	708,041	0
STAR Ohio	68,769	68,769	0
Total Investments	<u>\$9,277,282</u>	<u>\$3,326,810</u>	<u>\$5,950,472</u>

*The Federal Home Loan Mortgage Corporation Medium Term Note matures November 2006, but is callable on November 2005.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

C. Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchase of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

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

The School District has no investment policy dealing with investment credit risk beyond the requirements of State statute.

The School District's investments at June 30, 2005 in FHLB and FHLMC are rated AAA by Standard & Poor's, while investments in money market mutual fund is rated AAAM and Star Ohio is rated AAA by Standard & Poor's.

E. Concentration of Credit Risk

The School District places no limit on the amount the district may invest in any one issuer. More than 5 percent of the School District's investments are in FHLB and FHLMC Medium Term Note. These investments are 43.12% and 48.51%, respectively, of the School District's total investments for the amounts listed above.

5. 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 distributions are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes received in calendar year 2005 represent the collection of calendar year 2004 taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes received in calendar year 2005 were levied after April 1, 2004 on the assessed value listed as of the prior January 1, the lien date. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES (Continued)

Public utility property tax receipts 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 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 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 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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 School District receives property taxes from Mercer County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, 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.

The assessed values upon which 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	\$95,819,304	87%	\$94,816,270	87%
Public Utility	3,804,070	3	3,804,070	4
Tangible Personal Property	10,672,190	10	9,995,350	9
Total Assessed Value	<u>\$110,295,564</u>	<u>100%</u>	<u>\$108,615,690</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$55.68		\$55.83	

6. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2005 amounted to \$53,400.

7. INCOME TAX

The School District levies a voted tax of .50 percent for general operations on the income of residents and of estates. The income tax was effective on January 1, 1990, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

8. DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2005, consisted of the following:

	Principal Outstanding 6/30/04	Additions	Deductions	Principal Outstanding 6/30/05
1990 School Renovation Bonds Rate 6.87%	\$ 545,000	\$ 0	\$ 35,000	\$ 510,000
1993 Refinance Addition Bonds Rate 2.6 – 5.5%	1,534,610	0	127,581	1,407,029
2002 Ohio School Facility Construction Project Bonds Rate 1.5 – 13.75	9,339,996	0	250,000	9,089,996
Asbestos Removal Loan Rate 0%	41,383	0	16,553	24,830
Junior High Loan Rate 4.5%	250,000	0	27,000	223,000
Total Debt Obligation	<u>\$11,710,989</u>	<u>\$ 0</u>	<u>\$ 456,134</u>	<u>\$11,254,855</u>

1990 School Renovation Bonds - On December 1, 1990, the School District issued \$800,000 in voted general obligation bonds for the addition to the school building. The bonds were issued for a twenty-five fiscal year period with final maturity during fiscal year 2015. The debt will be retired with a voted property tax levy from the debt service fund.

1993 Refinance Addition - On October 1, 1993, the School District issued \$4,804,985 in voted general obligation bonds to refinance the 1987 building program general obligation bonds. The bonds were issued for a twenty fiscal year period with final maturity during fiscal year 2013. The debt will be retired with a voted property tax levy from the debt service fund.

2002 School Facilities Construction and Improvement Bonds – On March 1, 2003, the School District issued \$9,499,996 in current interest serial bonds (\$5,410,000), capital appreciation bonds (\$139,996) and current interest term bonds (\$3,950,000) for the local share of school construction under the Classroom Facilities Assistance Program. The bonds were issued for a twenty-seven fiscal year period with final maturity during fiscal year 2031. The debt will be retired with a voted property tax levy from the debt service fund.

Asbestos Removal Loan - On May 17, 1991, the School District obtained a loan in the amount of \$128,683 for the purpose of providing asbestos removal for the Coldwater Exempted Village School District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2007. The debt will be retired from the debt service fund.

Junior High Loan - The School District entered into a bank loan to purchase the Junior High Building from the Cincinnati Diocese for \$300,000. The loan was issued for ten years with final maturity during fiscal year 2012. The debt will be retired from the General Fund.

2002 School Facilities Construction and Improvement Bonds Redemption Provisions: Current Interest Term bonds maturing December 1, 2027 are subject to mandatory sinking fund redemption at 100% of principal, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows: 2023 - \$420,000; 2024 - \$440,000; 2025 - \$460,000; 2026 - \$480,000. The remaining principal (\$500,000) will be paid at stated maturity on December 1, 2027. Current Interest Term Bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption at 100% of principal, plus accrued interest to the date of redemption, on December 1 in the years and amounts as follows: 2028- \$525,000; 2029 - \$550,000. The remaining principal amount (\$575,000) will be paid at stated maturity on December 1, 2030. The Current Interest Bonds maturing after December 1, 2013 are subject to redemption at the option of the School District, either in whole or in part at 100% of the principal amount plus accrued interest to the date fixed for redemption.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

8. DEBT OBLIGATIONS (Continued)

Interest on the Capital Appreciation Bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (Interest Accretion dates) but will be payable at maturity. The Capital Appreciation Bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$620,000. The accreted amount for fiscal year 2005 was \$17,044, and the amount of the bonds outstanding included accreted interest is \$431,232.

The annual requirements to amortize all debt outstanding as of June 30, 2005 are as follows:

<u>Fiscal year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 448,557	\$ 692,470	\$ 1,141,027
2007	445,932	691,291	1,137,223
2008	435,553	689,395	1,124,948
2009	440,705	686,017	1,126,722
2010	450,853	680,248	1,131,101
2011-2015	2,258,255	2,425,209	4,683,464
2016-2020	1,665,000	1,315,360	2,980,360
2021-2025	2,020,000	945,065	2,965,065
2026-2030	2,515,000	420,325	2,935,325
2031	575,000	26,594	601,594
Total	<u>\$11,254,855</u>	<u>\$8,571,974</u>	<u>\$19,826,829</u>

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2005, the School District carried property and general liability insurance and boiler and machinery insurance.

Professional liability is protected by the Indiana Insurance Company with \$1,000,000 each occurrence, \$2,000,000 in annual aggregate limit. Umbrella liability coverage exists \$5,000,000 each occurrence, \$5,000,000 general aggregate limit. Errors & Omissions and Sexual Misconduct are insured at \$1,000,000 each occurrence, \$1,000,000 general aggregate limit.

Commercial property is covered by the Indiana Insurance Company. Commercial property is insured at a limit of \$30,262,598 (increased with new presentation of statement of values each fall). Commercial auto insurance is covered by the Indiana Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. There has been no significant reduction in insurance coverage from fiscal year 2004, and no insurance settlement has exceeded insurance coverage during the last three years.

Public officials' bond insurance is provided by Ohio Farmer's Insurance Company for a total of \$50,000. The Treasurer's bond insurance is provided by Ohio Farmer's Insurance Company for a total of \$150,000.

B. Health Care Benefits

The School District participates in the Mercer/Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and an educational service center. The School District pays monthly premiums to the Trust for employee medical and dental benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

9. RISK MANAGEMENT (Continued)

C. Workers' Compensation

The School District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's 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 Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. 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 the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. If an active Plan member should die before retirement, the eligible spouse and dependents 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.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary. 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$739,973, \$729,644, and \$708,354, respectively. The School District has paid all contributions required through June 30, 2005. Contributions to the DC and Combined Plans for fiscal year 2005 were \$5,713 made by the School District and \$5,441 made by the plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members must contribute 10 percent of their annual covered salary and the School District must 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 funds pension obligations with the remainder 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. For fiscal year 2004, 9.09 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$118,229, \$86,864, and \$53,381 respectively. The School District has paid all contributions required through June 30, 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

11. POST EMPLOYMENT 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician 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 on a pay-as-you-go basis.

STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$56,921 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004 (the latest information available). 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.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability, and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. This portion is based on years of service, Medicare eligibility and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2005, the 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. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$55,380 to fund health care benefits, including the surcharge.

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 currently receiving health care benefits.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

12. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization
Set-Aside Cash Balance as of June 30, 2004	\$(246,787)	\$(9,059,436)	\$30,977
Required Set-Aside	219,062	219,062	0
Offset	0	(47,996)	0
Qualifying Expenditures	(170,204)	(53,493)	0
Balance Carried Forward to Subsequent Year	<u>\$(197,929)</u>	<u>\$(8,941,863)</u>	<u>\$30,977</u>

The School District had qualifying disbursements during the year that reduced the Textbook set-aside amount to below zero. Also, Ohio Revised Code Section 3315.17 allows for the extra amount to carry over into future years for textbooks. For capital acquisitions, the extra amount, which was the result of capital expenditures from bond or note proceeds, was used to reduce the set aside requirements of future years. The Budget Stabilization set-aside above represents the portion designated from workers compensation refunds, while the total amount remaining and set-aside totals \$173,977.

13. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

West Central Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements to instructional programs.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Center is governed by a board made up of 52 representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service 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 SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures.

The Committee is governed by an 11-member board made up of six teachers, two building principals, one superintendent, and two members employed by the Mercer County Educational Service Center with terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The Committee is an association of public school districts within the boundaries of Mercer County. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

Northwestern Ohio Educational Research Council, Inc. - The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio.

The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues address by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

14. GROUP PURCHASING POOL

A. OASBO/Sheakley Workers' Compensation Group Rating Plan

The School District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

B. The Mercer-Auglaize Schools Employee Benefits Trust

The Mercer-Auglaize Employee Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees, which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust.

15. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor-restricted endowments. Net Assets-Endowments of \$130,000 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is \$36,566 and is included as net assets held in trust for scholarships. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

16. 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 are 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. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2005
(Continued)**

17. CONTRACTUAL COMMITMENTS

At June 30, 2005 the School District had the following outstanding contractual commitments for the building construction project and bus purchase:

<u>Contractor/Vendor</u>	<u>Amount</u>	<u>Description</u>
Orange City Schools	\$ 14,849	Handicapped student contract
Secur Com	500	Monitoring of fire system @ Kindergarten Center
Camelot Mfg.	550	Softball diamond lease (one yr. property lease)
OBS, Inc.	61,150	Bus purchase
Miller Henderson	24,000	Building program
Selective Insurance	26,768	Building program
Continental Office	352,462	Building program
Fanning Howey	292,030	Building program
Tuttle Bostelman	28,271	Building program
Total Environmental	4,000	Building program
Ohio Plumbing	451,995	Building program
Frost & Company	1,789,578	Building program
Peterson Construction	4,597,503	Building program
Koester Electric	1,438,856	Building program
Central Fire	300,473	Building program
Great Lakes Hotel	258,207	Building program
Sturgill Roofing	517,178	Building program
Sun Technologies	153,516	Building program
Wenger Corporation	54,869	Building program

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution	N/A	10.550		\$53,554		\$53,554
Breakfast Program	045310 05PU 2004	10.553	987		987	
Breakfast Program	045310 05PU 2005	10.553	3,175		3,175	
National School Lunch Program	045310 LLP4 2004	10.555	21,933		21,933	
National School Lunch Program	045310 LLP4 2005	10.555	71,094		71,094	
Total U.S. Department of Agriculture - Nutrition Cluster			97,189	53,554	97,189	53,554
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Special Education_Grants to States	045310 6BSF 2005 P	84.027	287,664		287,664	
Special Education_Grants to States	045310 6BSD 2004 P	84.027	27,000		22,865	
Special Education_Grants to States	045310 6BSD 2005 P	84.027	18,750		17,221	
Total Special Education_Grants to States			333,414		327,750	
Title I Grants to Local Educational Agencies	045310 C1-S1 2004	84.010	12,117		12,261	
Title I Grants to Local Educational Agencies	045310 C1-S1 2005	84.010	118,699		105,423	
Total			130,816		117,684	
Improving Teacher Quality State Grant	45310 TRS1 2004	84.367	7,007		10,694	
Improving Teacher Quality State Grant	45310 TRS1 2005	84.367	47,801		44,266	
Total			54,808		54,960	
Safe and Drug-Free School and Communities State Grant	045310 DRS1 2005	84.186	7,515		6,483	
Safe and Drug-Free School and Communities State Grant	045310 DRS1 2004	84.186	(676)		820	
Total			6,839		7,303	
Innovative Education Program Strategies	045310 C2S1 2005	84.298	8,238		6,964	
Innovative Education Program Strategies	045310 C2S1 2004	84.298	(7,596)			
Total			642		6,964	
Technology Literacy Challenge Fund Grant	45310 TJS1 2004	84.318	(21)			
Technology Literacy Challenge Fund Grant	45310 TJS1 2005	84.318	3,203		3,429	
Total			3,182		3,429	
Total U.S. Department of Education			529,701		518,090	
Total Federal Assistance			\$626,890	\$53,554	\$615,279	\$53,554

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C - PROGRAM YEAR TRANSFERS

The negative receipts recorded on the schedule for CFDA #84.186, 84.298 and 84.318 represent transfers between the 2004 and 2005 program years within the same CFDA No. The transfer is recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.



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*

Coldwater Exempted Village School District
Mercer County
310 North Second Street
Coldwater, Ohio 45828

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Coldwater Exempted Village School District, Mercer County, (the School District), as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 19, 2005 wherein we noted that the School District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is required. 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 opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated December 19, 2005, we reported an other matter involving internal control over financial reporting we did not deem reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the School District's 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 and 2005-002.

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Coldwater Exempted Village School District
Mercer County
Independent Accountants' Report on Compliance and Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 19, 2005



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

Coldwater Exempted Village School District
Mercer County
310 North Second Street
Coldwater, Ohio 45828

To the Board of Education:

Compliance

We have audited the compliance of the Coldwater Exempted Village School District (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 its 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.

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Coldwater Exempted Village School District
Mercer County
Independent Accountants' Report on Compliance with Requirements
Applicable to Major Federal Programs and Internal Control
Over Compliance in Accordance With OMB Circular A-133
Page 2

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

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

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

Betty Montgomery
Auditor of State

December 19, 2005

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2005-001

FINDING FOR RECOVERY REPAID UNDER AUDIT

Per the salary notice effective August 20, 2004, the treasurer, in error, placed a certified staff member, on the MA+15 step with 20 years of experience (\$54,550.35) per the salary schedule effective July 1, 2004 to June 30, 2005. The correct step for the staff member was MA+15 with an experience step of 15 years (\$53,766.23). The error resulted in an overpayment of \$784.09 for the contract year which includes salary paid through August 19, 2005.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery is hereby rendered, for money illegally expended, against the certified staff member, and Sheryl L. Shaffer, Treasurer, Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$784.09, and in favor of Coldwater Exempted Village Local School District's general fund.

Upon notification of the error by the Auditor of States' office, the school notified the employee and a payment plan has been implemented. The overpayment is being repaid from the current salary in the amount of \$34.09 per pay and will be repaid over 23 pay periods.

FINDING NUMBER 2005-002

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with GAAP.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Sec. 117.38 & OAC Sec. 117-2-03 (B) – District filed cash basis financial statements.	No	See 2005-002



**Auditor of State
Betty Montgomery**

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COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 19, 2006**