



**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Caldwell Exempted Village School District, Noble County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, 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.

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education on September 4, 2012 based on the 5 year forecast. Note 21 to the financial statements describes management has adopted a fiscal caution proposal to address the projected fiscal year 2013 deficit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 18, 2013

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Caldwell Exempted Village School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the School District's basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The assets of the School District exceeded its liabilities at the close of the fiscal year ended June 30, 2012, by \$6,499,565 (net assets).
- Net assets of governmental activities decreased \$693,330 from fiscal year 2011.
- General revenues accounted for \$6,635,879 in revenue or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$1,674,095 or 20 percent of total revenues of \$8,309,974.
- The School District had \$9,003,304 in expenses related to governmental activities; only \$1,674,095 of these expenses were offset by program specific charges for services and sales, grants, contributions, or interest. General revenues (primarily intergovernmental revenues and property taxes) of \$6,635,879 were not adequate to provide for these programs.
- The School District's major fund was the General Fund. The General Fund's balance decreased \$283,982.

Using this Annual Financial Report

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

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

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Government-Wide Financial Statements

Statement of Net Assets and the Statement of Activities

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2012 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

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

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011:

Table 1
Net Assets

	Governmental Activities		
	2012	2011	Change
Assets			
Current and Other Assets	\$6,119,156	\$6,404,909	(\$285,753)
Capital Assets	4,113,111	4,471,775	(358,664)
Total Assets	10,232,267	10,876,684	(644,417)
Liabilities			
Long-Term Liabilities	351,062	362,438	(11,376)
Other Liabilities	3,381,640	3,321,351	60,289
Total Liabilities	3,732,702	3,683,789	48,913
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,100,798	4,471,775	(370,977)
Restricted	398,678	389,520	9,158
Unrestricted	2,000,089	2,331,600	(331,511)
Total Net Assets	\$6,499,565	\$7,192,895	(\$693,330)

Total assets decreased \$644,417. Current and other assets decreased \$285,753. This decrease was mainly due to a decrease in cash and cash equivalents of \$372,866 and a decrease in property taxes receivable of \$62,272. The decreases were offset by a \$136,902 increase in intergovernmental receivables. The decrease in cash and cash equivalents was primarily due to the loss of stimulus funds, which the State utilized during fiscal years 2010 and 2011 to offset its reductions in foundation funding. Additionally, the current biennial budget (HB153) completely phased out the tangible personal property tax reimbursements in fiscal year 2012, which resulted in approximately \$160,000 in lost revenues. Liabilities did not change significantly.

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 and comparisons to fiscal year 2011:

Table 2
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$630,905	\$658,349	(\$27,444)
Operating Grants, Contributions, and Interest	1,043,190	852,183	191,007
Total Program Revenues	<u>1,674,095</u>	<u>1,510,532</u>	<u>163,563</u>
General Revenues			
Property Taxes	2,270,274	2,828,744	(558,470)
Grants and Entitlements	4,284,613	4,614,546	(329,933)
Interest	39,218	49,861	(10,643)
Miscellaneous	41,774	37,427	4,347
Total General Revenues	<u>6,635,879</u>	<u>7,530,578</u>	<u>(894,699)</u>
Total Revenues	<u>8,309,974</u>	<u>9,041,110</u>	<u>(731,136)</u>
Program Expenses			
Instruction			
Regular	4,391,173	4,317,825	73,348
Special	635,163	808,402	(173,239)
Vocational	75,335	104,739	(29,404)
Adult/Continuing	5,553	5,326	227
Intervention	927	927	0
Support Services			
Pupils	488,305	580,666	(92,361)
Instructional Staff	553,658	577,499	(23,841)
Board of Education	41,527	37,538	3,989
Administration	682,452	705,554	(23,102)
Fiscal	343,156	330,424	12,732
Operation and Maintenance of Plant	513,367	571,286	(57,919)
Pupil Transportation	608,798	677,445	(68,647)
Central	592	4,408	(3,816)
Operation of Non-Instructional Services	388,122	446,505	(58,383)
Extracurricular Activities	271,695	312,689	(40,994)
Interest	3,481	0	3,481
Total Expenses	<u>9,003,304</u>	<u>9,481,233</u>	<u>(477,929)</u>
Change in Net Assets	(693,330)	(440,123)	(253,207)
Net Assets Beginning of Year	<u>7,192,895</u>	<u>7,633,018</u>	<u>(440,123)</u>
Net Assets End of Year	<u>\$6,499,565</u>	<u>\$7,192,895</u>	<u>(\$693,330)</u>

Caldwell Exempted Village School District, Ohio
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The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Our School District, which is dependent upon property taxes, is hampered by a lack of other revenue growth and must periodically return to the voters to maintain a constant level of service. Over the past several years, taxes on the tangible personal property of general businesses, telephone and telecommunications companies were phased out by the Ohio Legislature. Initially the Ohio Legislature provided hold-harmless reimbursements for the lost revenues, but with the enactment of HB 153, the School District lost all revenue replacement funding in fiscal year 2012. Many districts were able to recoup much of the lost revenue through the State foundation program, but since the Caldwell School District had previously been a "guarantee district", no additional funding was realized, resulting in true revenue losses. The last successful operating levy renewal was passed in the November, 2008 election and it expires December 31, 2013.

Total revenues decreased \$731,136 in fiscal year 2012 from fiscal year 2011. This decrease was due mainly to the loss of stimulus funding, as well as the elimination of the State's tangible personal property reimbursements. Total expenses also decreased \$477,929, the result of a staffing reduction at the end of fiscal year 2011 to offset the impending fiscal deficit. Additionally, the fiscal year 2011 expenses were inflated by \$125,000 due to a one-time textbook series purchase.

The DeRolph III decision has not eliminated the dependence on property taxes. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decrease as the property valuation increases thus generating approximately the same revenue, exclusive of new construction and inside millage. Property taxes made up approximately 27% of revenues for governmental activities for the School District in fiscal year 2012.

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

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Instruction:				
Regular	\$4,391,173	\$3,838,297	\$4,317,825	\$3,956,132
Special	635,163	309,960	808,402	424,204
Vocational	75,335	38,801	104,739	68,205
Adult/Continuing	5,553	5,553	5,326	5,326
Intervention	927	927	927	927
Support Services:				
Pupils	488,305	449,864	580,666	529,607
Instructional Staff	553,658	437,057	577,499	494,946
Board of Education	41,527	41,527	37,538	37,538
Administration	682,452	627,424	705,554	659,235
Fiscal	343,156	343,156	330,424	330,424
Operation and Maintenance of Plant	513,367	511,562	571,286	571,166
Pupil Transportation	608,798	602,493	677,445	668,351
Central	592	592	4,408	(592)
Operation of Non-Instructional Services	388,122	5,134	446,505	46,183
Extracurricular Activities	271,695	113,381	312,689	179,049
Interest	3,481	3,481	0	0
Total Expenses	<u>\$9,003,304</u>	<u>\$7,329,209</u>	<u>\$9,481,233</u>	<u>\$7,970,701</u>

The dependence upon tax revenues for governmental activities is apparent. Approximately 81 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District's Funds

The School District's major fund is accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$6,860,567, expenditures of \$7,217,058, and other financing sources of \$72,509. The General Fund's balance decreased \$283,982. This decrease in the General Fund is due to a reduction in the amount of State foundation dollars received after the expiration of the federal stimulus funding.

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 2012, the School District amended its General Fund budget, but not significantly. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

Caldwell Exempted Village School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

For the General Fund, budget basis revenue was \$7,128,176, above final estimates of \$7,085,329. Original estimated revenues were decreased \$73,000. Expenditures of \$7,405,056 were lower than final appropriations of \$7,588,900 due to various factors, but primarily due to a lower percentage increase in health insurance funding factors (beginning in June, 2012), as well as overestimated amounts on year end encumbrances. Final appropriations were decreased \$591,000 over original appropriations due to overestimated salary and benefit expenses and a decrease in preschool costs through the educational service center.

The School District's ending General Fund budgetary balance was \$836,356.

Capital Assets and Debt Administration

At the end of fiscal year 2012, the School District had \$4,113,111 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture, and fixtures in governmental activities. See Note 9 for more detailed information of the School District's capital assets.

At fiscal year end, the School District had one capital lease outstanding. See Notes 15 and 16 for more information on the School District's debt.

Current Issues

On September 2, 2012, the School District was placed in Fiscal Caution by the Ohio Department of Education. The May, 2012, five-year forecast projected a fiscal deficit at the end of fiscal year 2013. The School District subsequently submitted a proposal to ODE to overcome the deficit. However, the October, 2012, five-year forecast projects a deficit in excess of \$900,000 in fiscal year 2014, with few remaining positions to cut. The School District will likely need a combination of staffing/program cuts and additional levy revenues to overcome the crippling reductions in State funding and the loss of the personal tangible property reimbursements.

Contacting the School District's Financial Management

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

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Caldwell Exempted Village School District, Ohio

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,351,027
Cash and Cash Equivalents with Fiscal Agents	1,693,226
Accounts Receivable	3,138
Intergovernmental Receivable	270,877
Prepaid Items	17,415
Materials and Supplies Inventory	2,107
Inventory Held for Resale	10,706
Property Taxes Receivable	2,770,660
Nondepreciable Capital Assets	381,096
Depreciable Capital Assets, Net	3,732,015
Total Assets	<u>10,232,267</u>
Liabilities	
Accounts Payable	34,916
Accrued Wages and Benefits Payable	748,072
Intergovernmental Payable	263,325
Matured Compensated Absences Payable	33,743
Claims Payable	186,706
Deferred Revenue	2,114,878
Long-Term Liabilities:	
Due Within One Year	13,758
Due In More Than One Year	337,304
Total Liabilities	<u>3,732,702</u>
Net Assets	
Invested in Capital Assets	4,100,798
Restricted for:	
Capital Projects	18,622
Budget Stabilization	28,284
Unclaimed Monies	145
Other Purposes	351,627
Unrestricted	2,000,089
Total Net Assets	<u><u>\$6,499,565</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Revenue and Changes in Net Assets
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$4,391,173	\$281,727	\$271,149	(3,838,297)
Special	635,163	0	325,203	(309,960)
Vocational	75,335	0	36,534	(38,801)
Adult/Continuing	5,553	0	0	(5,553)
Intervention	927	0	0	(927)
Support Services:				
Pupils	488,305	30,693	7,748	(449,864)
Instructional Staff	553,658	0	116,601	(437,057)
Board of Education	41,527	0	0	(41,527)
Administration	682,452	0	55,028	(627,424)
Fiscal	343,156	0	0	(343,156)
Operation and Maintenance of Plant	513,367	1,805	0	(511,562)
Pupil Transportation	608,798	346	5,959	(602,493)
Central	592	0	0	(592)
Operation of Non-Instructional Services:				
Food Service Operations	353,349	137,927	216,420	998
External Participation in Internal Service Fund	34,773	28,641	0	(6,132)
Extracurricular Activities	271,695	149,766	8,548	(113,381)
Interest	3,481	0	0	(3,481)
Total Governmental Activities	<u>\$9,003,304</u>	<u>\$630,905</u>	<u>\$1,043,190</u>	<u>(7,329,209)</u>
General Revenues				
Property Taxes Levied for General Purposes				2,270,274
Grants and Entitlements not Restricted to Specific Programs				4,284,613
Interest				39,218
Miscellaneous				41,774
Total General Revenues				<u>6,635,879</u>
Change in Net Assets				(693,330)
Net Assets Beginning of Year				<u>7,192,895</u>
Net Assets End of Year				<u>\$6,499,565</u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$935,789	\$386,056	\$1,321,845
Accounts Receivable	2,675	463	3,138
Interfund Receivable	1,155	0	1,155
Intergovernmental Receivable	1,675	269,202	270,877
Prepaid Items	17,004	411	17,415
Materials and Supplies Inventory	0	2,107	2,107
Inventory Held for Resale	0	10,706	10,706
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	29,182	0	29,182
Property Taxes Receivable	2,770,660	0	2,770,660
Total Assets	<u><u>\$3,758,140</u></u>	<u><u>\$668,945</u></u>	<u><u>\$4,427,085</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$28,660	\$6,256	\$34,916
Accrued Wages and Benefits Payable	642,161	105,911	748,072
Interfund Payable	0	1,155	1,155
Intergovernmental Payable	244,228	19,097	263,325
Matured Compensated Absences Payable	33,743	0	33,743
Deferred Revenue	2,760,268	167,220	2,927,488
Total Liabilities	<u><u>3,709,060</u></u>	<u><u>299,639</u></u>	<u><u>4,008,699</u></u>
Fund Balances			
Nonspendable	17,149	13,224	30,373
Restricted	29,037	189,052	218,089
Assigned	138,644	195,793	334,437
Unassigned	(135,750)	(28,763)	(164,513)
Total Fund Balances	<u><u>49,080</u></u>	<u><u>369,306</u></u>	<u><u>418,386</u></u>
Total Liabilities and Fund Balances	<u><u>\$3,758,140</u></u>	<u><u>\$668,945</u></u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,113,111

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

Property Taxes	644,710	
Tuition and Fees	680	
Grants	167,220	
Total		812,610

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 1,506,520

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

Compensated Absences Payable	(338,749)	
Capital Lease Payable	(12,313)	
Total		(351,062)

Net Assets of Governmental Activities \$6,499,565

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$2,143,496	\$0	\$2,143,496
Intergovernmental	4,337,848	898,658	5,236,506
Interest	6,674	28	6,702
Tuition and Fees	282,685	0	282,685
Extracurricular Activities	50,314	130,491	180,805
Charges for Services	0	137,927	137,927
Contributions and Donations	1,001	8,548	9,549
Miscellaneous	38,549	6,030	44,579
Total Revenues	<u>6,860,567</u>	<u>1,181,682</u>	<u>8,042,249</u>
Expenditures			
Current:			
Instruction:			
Regular	3,645,948	301,885	3,947,833
Special	402,104	253,496	655,600
Vocational	74,210	0	74,210
Adult/Continuing	5,553	0	5,553
Intervention	927	0	927
Support Services:			
Pupils	478,322	6,758	485,080
Instructional Staff	455,079	85,237	540,316
Board of Education	41,527	0	41,527
Administration	624,137	50,565	674,702
Fiscal	337,176	0	337,176
Operation and Maintenance of Plant	453,912	67,630	521,542
Pupil Transportation	555,053	0	555,053
Central	0	592	592
Operation of Non-Instructional Services	3,455	341,508	344,963
Extracurricular Activities	131,515	136,780	268,295
Debt Service:			
Principal Retirement	4,659	0	4,659
Interest and Fiscal Charges	3,481	0	3,481
Total Expenditures	<u>7,217,058</u>	<u>1,244,451</u>	<u>8,461,509</u>
Excess of Revenues Under Expenditures	<u>(356,491)</u>	<u>(62,769)</u>	<u>(419,260)</u>
Other Financing Source (Use)			
Transfers In	55,537	0	55,537
Inception of Capital Lease	16,972	0	16,972
Transfers Out	0	(55,537)	(55,537)
Total Other Financing Source (Use)	<u>72,509</u>	<u>(55,537)</u>	<u>16,972</u>
Net Change in Fund Balances	(283,982)	(118,306)	(402,288)
Fund Balances Beginning of Year	<u>333,062</u>	<u>487,612</u>	<u>820,674</u>
Fund Balances End of Year	<u>\$49,080</u>	<u>\$369,306</u>	<u>\$418,386</u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds (\$402,288)

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

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

Capital Outlay	94,106	
Current Year Depreciation	<u>(241,130)</u>	(147,024)

Capital Assets removed from the capital asset account on the statement of net assets results in a gain or loss on disposal of capital assets on the statement of activities. (211,640)

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

Grants	81,728	
Tuition and Fees	(958)	
Miscellaneous	(17,712)	
Delinquent Property Taxes	<u>126,778</u>	189,836

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 4,659

The inception of capital lease is reported as an other financing source in the governmental funds, but increases long-term liabilities on the statement of net assets. (16,972)

Expenses resulting from compensated absences in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 23,689

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net change of the internal service fund is reported with governmental activities. (133,590)

Change in Net Assets of Governmental Activities (\$693,330)

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,345,000	\$2,435,000	\$2,459,459	\$24,459
Intergovernmental	4,407,000	4,292,000	4,315,817	23,817
Interest	10,100	10,100	6,306	(3,794)
Tuition and Fees	308,950	283,950	282,923	(1,027)
Extracurricular Activities	76,450	54,950	50,314	(4,636)
Contributions and Donations	2,000	500	1,001	501
Miscellaneous	8,829	8,829	12,356	3,527
Total Revenues	7,158,329	7,085,329	7,128,176	42,847
Expenditures				
Current:				
Instruction:				
Regular	4,024,088	3,747,463	3,701,001	46,462
Special	425,656	416,306	396,957	19,349
Vocational	109,375	94,375	90,279	4,096
Adult/Continuing	5,500	5,500	5,553	(53)
Intervention	1,425	1,425	846	579
Support Services:				
Pupils	546,578	519,078	491,291	27,787
Instructional Staff	495,749	463,249	448,733	14,516
Board of Education	54,055	44,380	39,947	4,433
Administration	687,609	634,359	611,540	22,819
Fiscal	370,453	347,453	341,143	6,310
Operation and Maintenance of Plant	595,043	545,543	526,173	19,370
Pupil Transportation	698,194	628,294	613,436	14,858
Operation of Non-Instructional Services	0	3,800	3,073	727
Extracurricular Activities	166,175	137,675	135,084	2,591
Total Expenditures	8,179,900	7,588,900	7,405,056	183,844
Excess of Revenues Under Expenditures	(1,021,571)	(503,571)	(276,880)	226,691
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	2,000	52,000	64,075	12,075
Refund of Prior Year Receipts	(901)	(901)	(724)	177
Transfers In	55,535	55,535	55,537	2
Transfers Out	(35,000)	(20,000)	0	20,000
Total Other Financing Sources (Uses)	21,634	86,634	118,888	32,254
Net Change in Fund Balance	(999,937)	(416,937)	(157,992)	258,945
Fund Balance Beginning of Year	903,148	903,148	903,148	0
Prior Year Encumbrances Appropriated	91,200	91,200	91,200	0
Fund Balance (Deficit) End of Year	(\$5,589)	\$577,411	\$836,356	\$258,945

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio

Statement of Fund Net Assets

Health Self-Insurance Internal Service Fund

June 30, 2012

Current Assets

Cash and Cash Equivalents with Fiscal Agents \$1,693,226

Current Liabilities

Claims Payable 186,706

Net Assets

Unrestricted \$1,506,520

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2012*

Operating Revenues	
Charges for Services	\$1,636,479
Miscellaneous	<u>25,802</u>
Total Operating Revenues	<u>1,662,281</u>
Operating Expenses	
Purchased Services	455,884
Claims	<u>1,372,523</u>
Total Operating Expenses	<u>1,828,407</u>
Operating Loss	(166,126)
Non-Operating Revenue	
Interest	<u>32,536</u>
Change in Net Assets	(133,590)
Net Assets Beginning of Year	<u>1,640,110</u>
Net Assets End of Year	<u><u>\$1,506,520</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio

Statement of Cash Flows

Health Self-Insurance Internal Service Fund

For the Fiscal Year Ended June 30, 2012

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from Transactions with Other Funds	\$1,636,479
Cash Received from Customers	0
Other Cash Receipts	25,802
Cash Payments for Goods and Services	(455,884)
Cash Payments for Claims	<u>(1,380,137)</u>

Net Cash Used for Operating Activities (173,740)

Cash Flows from Investing Activities

Interest on Investments	<u>32,536</u>
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Net Decrease in Cash and Cash Equivalents (141,204)

Cash and Cash Equivalents Beginning of Year 1,834,430

Cash and Cash Equivalents End of Year \$1,693,226

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

Operating Loss (\$166,126)

Decrease in Claims Payable (7,614)

Net Cash Used for Operating Activities (\$173,740)

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Fund

June 30, 2012

Assets

Equity in Pooled Cash and Cash Equivalents

\$25,875

Liabilities

Due to Students

\$25,875

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

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

The School District is located in Caldwell, Ohio, in Noble County and also consists of Aurelius Township in Washington County. The Board of Education controls the School District's three instructional/support facilities staffed by 38 classified employees and 57 certificated full-time teaching personnel who provide services to 884 students and other community members.

Reporting Entity

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

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

The School District participates in the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Mid-East Career and Technology Centers, and the Coalition of Rural and Appalachian Schools which are defined as jointly governed organizations; the Ohio School Plan (OSP), which is defined as a group insurance purchasing pool; the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a risk sharing, claims servicing, and insurance purchasing pool; and is associated with the Caldwell Public Library, which is defined as a Related Organization. Additional information concerning these organizations is presented in Notes 17 and 18.

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however; has no business-type activities.

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

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

B. Fund Accounting

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

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

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. The School District's agency fund accounts for student activities and assets held by the School District as an agent for outside activities.

C. Measurement Focus

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

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2012, the School District's investments were limited to federal agency securities, money market mutual fund, and STAROhio. Federal agency securities and the money market mutual fund are reported at fair value based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$6,674, which includes \$2,510 assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of expendable supplies held for consumption, and purchased and donated food held for resale.

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

H. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20-50 Years
Vehicles	8 Years
Machinery, Equipment, Furniture, and Fixtures	5-25 Years

I. Interfund Balances

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

J. Compensated Absences

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

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

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

K. Accrued Liabilities and Long-term Obligations

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

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

L. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

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

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for capital improvements, to create a reserve for budget stabilization, and unclaimed monies. See Note 20 for additional information regarding set-asides.

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned: The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include music and athletic programs and local, federal, and state grants restricted to expenditure for specified purposes.

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

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

R. Estimates

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

S. Budgetary Process

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

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

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 3 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
<u>Nonspendable:</u>			
Prepays	\$17,004	\$411	\$17,415
Materials and Supplies Inventory	0	12,813	12,813
Unclaimed Monies	145	0	145
<i>Total Nonspendable</i>	<u>17,149</u>	<u>13,224</u>	<u>30,373</u>
<u>Restricted for:</u>			
Food Service Operations	0	15,578	15,578
Athletics and Music	0	13,726	13,726
Federal Grant Expenditures	0	8,971	8,971
Budget Stabilization	28,284	0	28,284
Teacher Development	0	20	20
Capital Improvements	753	150,757	151,510
<i>Total Restricted</i>	<u>29,037</u>	<u>189,052</u>	<u>218,089</u>
<u>Assigned to:</u>			
Capital Improvements	0	195,793	195,793
Other Purposes	138,644	0	138,644
<i>Total Assigned</i>	<u>138,644</u>	<u>195,793</u>	<u>334,437</u>
Unassigned:	(135,750)	(28,763)	(164,513)
<i>Total Fund Balances</i>	<u>\$49,080</u>	<u>\$369,306</u>	<u>\$418,386</u>

Note 4 – Accountability

At June 30, 2012, the Title II-A Special Revenue Fund had a deficit fund balance in the amount of \$3,912. This deficit is due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 5 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget) rather than committed or assigned fund balance (GAAP).
4. Advances In are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unrecorded interest and prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements:

Net Change in Fund Balance

	General Fund
GAAP Basis	(\$283,982)
Net Adjustment for Revenue Accruals	313,941
Unreported Items - End of Fiscal Year	(384)
Prepaid Items:	
Beginning of Fiscal Year	4,288
End of Fiscal Year	(17,004)
Net Adjustment for Expenditure Accruals	(46,620)
Advance In	1,155
Encumbrances	(129,386)
Budget Basis	(\$157,992)

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 6 - Deposits and Investments

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

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

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

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

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

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

At June 30, 2012, the School District's internal service fund had a balance of \$1,693,226 with OME-RESA, a claims servicing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$1,083,594 of the School District's bank balance of \$1,333,594 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2012, the School District had the following investments. All investments are in an internal investment pool.

	Total Fair Value	Maturity	Percent of Total Investments	Moody's/ S&P Rating	Rating Agency
Federal Home Loan Bank	\$199,920	11/30/12-03/13/15	86.31%	Aaa/AA+	Moody's/S&P
Star Ohio	31,715	Average 52.5 days	13.69%	AAAm	S&P
Total	<u>\$231,635</u>				

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Noble and Washington Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2012, \$11,072 was available as an advance in the General Fund. The amount available as an advance at June 30, 2011, was \$327,035 in the General Fund.

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$74,836,940	70.50%	\$74,210,800	70.05%
Commerical/Industrial and Public Utility Real	17,433,260	16.42%	17,403,200	16.43%
Public Utility Personal	13,888,290	13.08%	14,327,400	13.52%
	\$106,158,490	100.00%	\$105,941,400	100.00%
Tax Rate per \$1,000 of assessed valuation		\$32.50	\$32.50	

Note 8 – Receivables

Receivables at June 30, 2012, consisted of property taxes, interfund, accounts (billings for user charged services and student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Title I	\$143,426
Special IDEA Part B Grant	60,967
Federal Lunch Reimbursements	21,117
Education Jobs Grant	20,110
Title VI-B, Rural and Low Income	14,525
Title II-A	7,084
Noble County Department of JFS	1,675
Title II-D	1,452
High Schools That Work	521
Total	\$270,877

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Nondepreciable Capital Assets				
Land	\$381,096	\$0	\$0	\$381,096
Depreciable Capital Assets				
Buildings and Improvements	8,516,063	14,916	(246,093)	8,284,886
Vehicles	1,088,622	0	0	1,088,622
Machinery, Equipment, Furniture, and Fixtures	1,171,552	79,190	0	1,250,742
Total Capital Assets Being Depreciated	<u>10,776,237</u>	<u>94,106</u>	<u>(246,093)</u>	<u>10,624,250</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(4,777,683)	(150,599)	34,453	(4,893,829)
Vehicles	(900,459)	(39,903)	0	(940,362)
Machinery, Equipment, Furniture, and Fixtures	(1,007,416)	(50,628)	0	(1,058,044)
Total Accumulated Depreciation	<u>(6,685,558)</u>	<u>(241,130) *</u>	<u>34,453</u>	<u>(6,892,235)</u>
Total Capital Assets Being Depreciated, Net	<u>4,090,679</u>	<u>(147,024)</u>	<u>(211,640)</u>	<u>3,732,015</u>
Governmental Activities Capital Assets, Net	<u>\$4,471,775</u>	<u>(\$147,024)</u>	<u>(\$211,640)</u>	<u>\$4,113,111</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$167,372
Special	10,451
Vocational	224
Support Services:	
Instructional Staff	1,479
Administration	9,375
Fiscal	1,160
Operation and Maintenance of Plant	4,197
Pupil Transportation	38,899
Food Service Operations	3,856
Operating of Non-Instructional Services	717
Extracurricular Activities	3,400
Total Governmental Depreciation	<u>\$241,130</u>

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 - Interfund Transfers and Balances

Transfers were made during fiscal year 2012 from the Bond Retirement Fund to the General Fund in the amount of \$55,537. This transfer was made to close out the Bond Retirement Fund.

Unpaid interfund cash advances at June 30, 2012, were as follows:

	Receivables	Payables
General Fund	\$1,155	\$0
Nonmajor Special Revenue Funds:		
High Schools That Work	0	98
Education Jobs	0	285
IDEA Part B	0	430
Title I	0	315
Title II-A	0	16
Miscellaneous Federal Grants	0	11
Total Special Revenue Funds	0	1,155
Total All Funds	\$1,155	\$1,155

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds. The interfund balances are anticipated to be repaid within one fiscal year.

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Ohio Casualty Insurance, through Reed & Baur Insurance Agency, for property, crime insurance, general liability insurance, and fleet insurance. During fiscal year 2012, the School District purchased the following coverage:

<u>Ohio Casualty Insurance</u>	
Building and Contents-replacement cost (\$1,000 deductible)	\$23,780,500
Crime Insurance	
Forgery or Alterations Coverage (\$500 deductible)	\$25,000
Employee Dishonesty (\$500 deductible)	\$25,000
General Liability	
Per occurrence	\$1,000,000
Aggregate Per Year	\$2,000,000
Medical Expense	\$15,000

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Education Umbrella Liability Policy	
For General Liability	
Per occurrence	\$1,000,000
Aggregate Per Year	\$1,000,000
Automobile Insurance (\$1,000 Comprehensive/ \$1,000 Collision)	\$1,000,000
Uninsured Motorists	\$ 1,000,000
Medical Payments	\$5,000

Travelers Casualty and Surety Company of America

Travelers Bond	\$25,000
Superintendent and Board President Bond (Each)	\$25,000

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

B. Workers' Compensation

The School District pays the State a rate per \$100 of salaries for workers' compensation. The School District contracts with CompManagement, Inc. to provide administrative assistance for workers compensation.

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

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays all but \$15 per month for single and \$30 for family for classified employees and all but \$25 per month for single and \$50 for family for certified employees in premiums for basic medical insurance. In addition, the School District pays the entire premium for dental and prescription drug coverage and also covers one-half of the cost of vision insurance for all employees. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The School District's stop loss amount per person is \$35,000 for fiscal year 2012. The claims liability of \$186,706 reported in the internal service fund at June 30, 2012, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 2011 and 2012 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2011	\$157,274	\$1,339,743	\$1,302,697	\$194,320
2012	194,320	1,372,523	1,380,137	186,706

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work on an eleven or twelve month basis earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less an eleven or twelve month basis do not earn vacation time. Certified and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days for certified employees and up to 230 days for classified employees. Upon retirement, certified employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 50 days plus one additional day for every three years spent in the School District. Classified employees, upon retirement, receive a severance payment for one-fourth of the total sick leave accumulation up to 36 total paid days plus one and one-half days for every three years of continuous employment leading up to retirement.

B. Life Insurance

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

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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 visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$120,403, \$96,199, and \$153,901, respectively. For fiscal year 2012, 58.66 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$382,596, \$415,748, and \$389,090, respectively. For fiscal year 2012, 83.18 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$12,443 made by the School District and \$8,888 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, there are no board members who have elected Social Security.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$14,808 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,564, \$32,959, and \$200, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$6,807, \$6,578, and \$8,072 respectively. For fiscal year 2012, 56.82 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$29,430, \$31,981, and \$29,930 respectively. For fiscal year 2012, 83.18 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Note 15 - Long-Term Obligations

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

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts Due within One Year
Capital Leases Payable	\$0	\$16,972	\$4,659	\$12,313	\$2,946
Compensated Absences	362,438	37,783	61,472	338,749	10,812
Total Long-Term Obligations	<u>\$362,438</u>	<u>\$54,755</u>	<u>\$66,131</u>	<u>\$351,062</u>	<u>\$13,758</u>

The capital lease and compensated absences will be paid from the General Fund.

The overall debt margin of the School District as of June 30, 2012, was \$9,534,726, with an unvoted debt margin of \$105,941.

Note 16 - Capital Leases

In the current fiscal year, the School District entered into a capital lease for copiers. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Actual principal payments in fiscal year 2012 totaled \$4,659. The capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures and changes in fund balances for the governmental funds.

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

	Governmental Activities
Furniture and Equipment	\$16,972
Less Accumulated Depreciation	(3,111)
Total June 30, 2012	\$13,861

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

Fiscal Year Ending	Amount
2013	\$4,440
2014	4,440
2015	4,440
2016	2,220
Total	15,540
Less: Amount	
Representing Interest	(3,227)
Present Value of Net	
Minimum Lease Payments	\$12,313

Note 17 - Jointly Governed Organizations and Public Entity Risk Pools

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA is governed by a board which is selected by the member districts. OME-RESA possesses its own budgeting and financing authority. The continued existence of OME-RESA is not dependent on the District's continued participation and the School District has no equity interest in the Agency. The School District's payments for computer services to OME-RESA in fiscal year 2012 were \$27,240. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio.

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

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2012, the School District's membership fee was \$325. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

B. Public Entity Risk Pools

Risk Sharing, Claims Servicing, and Insurance Purchasing Pool The School District participates in the **Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA) Self-Insurance Plan**, a risk sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

Note 18 - Related Organization

The **Caldwell Public Library** is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Caldwell Exempted Village School District as presented by the Library. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing

Caldwell Exempted Village School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Caldwell Public Library, at 517 Spruce Street, P.O. Box 230, Caldwell, Ohio 43724-0230.

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

As of June 30, 2012, the School District is currently not a party to any material legal proceedings.

Note 20 - Set-Asides

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

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

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

Caldwell Exempted Village School District, Ohio
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	Capital Improvements	Budget Stabilization
Set-aside Balance as of June 30, 2011	\$0	\$28,284
Current Year Set-aside Requirement	145,471	0
Qualifying Disbursements	(144,718)	0
Total	<u>\$753</u>	<u>\$28,284</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$753</u>	<u>\$28,284</u>

Note 21 – Subsequent Note

Effective September 4, 2012, the Ohio Department of Education declared the Caldwell Exempted Village School District to be in a state of Fiscal Caution in accordance with Revised Code Section 3316.031. The declaration was based on an anticipated deficit for fiscal year 2013 and future years.

Section 3316.031(C) of the Revised Code requires that the Board of Education provide a written proposal to the Ohio Department of Education for correcting the budgetary conditions that prompted the declaration and for preventing the School District from experiencing further difficulties. The proposal was due to the Ohio Department of Education by November 4, 2012. On October 19, 2012, the Ohio Department of Education accepted the fiscal caution proposal submitted by the School District for fiscal year 2013 only. Since a deficit remained for fiscal year 2014 under the submitted proposal, the Department of Education will request, at a later date, a revised recovery plan that addresses that deficit. The Department of Education will continue to monitor the financial situation while the School District is in a state of Fiscal Caution.

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2011/2012	10.555	\$ 18,979	\$ 18,979
Cash Assistance:				
School Breakfast Program	2011/2012	10.553	74,201	74,201
National School Lunch Program	2011/2012	10.555	119,470	119,470
Cash Assistance Subtotal			<u>193,671</u>	<u>193,671</u>
Total Child Nutrition Cluster			<u>212,650</u>	<u>212,650</u>
Total U.S. Department of Agriculture			212,650	212,650
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2011	84.010	15,597	34,119
	2012		86,535	86,850
Total Title 1 Grants to Local Educational Agencies			<u>102,132</u>	<u>120,969</u>
ARRA - Title 1 Grants to Local Educational Agencies	2011	84.389	65,002	65,172
Total Title 1 Cluster			167,134	186,141
Special Education Cluster:				
Special Education - Grants to States	2011	84.027	17,494	38,984
	2012		170,500	170,930
Total Special Education - Grants to States			<u>187,994</u>	<u>209,914</u>
Special Education - Preschool Grants	2012	84.173	10,989	10,989
ARRA - Special Education - Grants to States	2011	84.391	28,163	41,013
Total Special Education Cluster			227,146	261,916
Safe and Drug-Free Schools and Communities - State Grants	2011	84.186	80	
Rural Education	2012	84.358	533	544
Improving Teacher Quality State Grants	2011	84.367	3,030	9,957
	2012		46,899	46,914
Total Improving Teacher Quality State Grants			<u>49,929</u>	<u>56,871</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants	2011	84.394		2,314
Education Jobs	2012	84.410	197,056	197,341
Total U.S. Department of Education			<u>641,878</u>	<u>705,127</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 854,528</u>	<u>\$ 917,777</u>

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

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUBRECIPIENTS

The School District passes certain federal awards received from Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and the subrecipients achieve the award's performance goals.

NOTE C – CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at fair value. The School District allocated donated food commodities to the respective program that benefited from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 18, 2013, wherein we noted the School District was placed in fiscal caution by the Ohio Department of Education on September 4, 2012. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 18, 2013.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 18, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Caldwell Exempted Village School District, Noble County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

As described in Finding 2012-001 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Cash Management applicable to its Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2012-001 to be a material weakness.

The School District's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 18, 2013

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified for all major programs, except for the Cash Management provision requirements applicable to the Special Education Cluster program, which we qualified.
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – CFDA #10.553, 10.555, 10.556 Special Education Cluster - CFDA #84.027, 84.173, 84.391
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012 (Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-001
CFDA Title and Number	Special Education Cluster, CFDA #84.027, 84.173, 84.391
Federal Award Number / Year	2011/2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Cash Management

34 CFR 80.21 (c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R. 80.20(b) states the financial management systems of other grantees and subgrantees must meet the following standards: (7) Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used..... When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. Ohio Department of Education Project Cash Request Instructions state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 C.F.R. part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds MUST be expended within the period of time for which cash is requested.

During fiscal year 2012 within the Special Education Fund we found eleven of the twelve drawdowns were not spent by the end of the month for which the funds were requested. The balance at the end of the month for which the funds were requested ranged from \$183 to \$8,805.

We recommend the School District monitor the cash balances in this fund to determine when these expenditures should be made and/or how much cash to request. This will help ensure that the monies drawn down are expended within the required time frame. These funds should be expended by the end of the month in which funds were requested.

Officials' Response and Corrective Action Plan: The Caldwell EVSD immediately implemented revised procedures that will allow us to better monitor and manage the funds we receive from federal sources. This new procedure will allow us to minimize the time lapsed between receipt and disbursement of funds.

Responsible contact person: Jeffrey Croucher, Treasurer; Anticipated completion date- February 28, 2013.



Dave Yost • Auditor of State

CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 2, 2013