



**Auditor of State  
Betty Montgomery**



**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT  
NOBLE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof 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 January 21, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

January 21, 2005

**Caldwell Exempted Village School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**  
**Unaudited**

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The discussion and analysis of Caldwell Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$455,643 from fiscal year 2003.
- General revenues accounted for \$6,224,417 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 \$1,615,256 or 20 percent of total revenues of \$7,839,673.
- Total assets of governmental activities decreased by \$874,429 primarily due to a decrease in cash and cash equivalents and property taxes receivable from fiscal year 2003.
- The School District had \$8,295,316 in expenses related to governmental activities; only \$1,615,256 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 \$6,224,417 were not adequate enough to provide for these programs.
- The General Fund had \$6,522,536 in revenues and \$7,076,643 in expenditures. The General Fund's fund balance decreased to \$1,112,367 from \$1,686,474.

### **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 Caldwell Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific activities.

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

**Caldwell Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited**

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***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2003-2004 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The basic governmental fund financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement Debt Service Fund.

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



**Caldwell Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited**

*Proprietary Funds* Proprietary funds use the accrual basis of accounting. The School District's only proprietary fund is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

**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 2004 compared to fiscal year 2003:

(Table 1)  
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$6,097,300	\$6,799,162
Capital Assets	6,635,779	6,808,346
Total Assets	12,733,079	13,607,508
Liabilities		
Long-Term Liabilities	(939,639)	(1,111,345)
Other Liabilities	(3,468,480)	(3,715,560)
Total Liabilities	(4,408,119)	(4,826,905)
Net Assets		
Invested in Capital		
Assets Net of Debt	6,115,779	6,158,346
Restricted	674,110	913,596
Unrestricted	1,535,071	1,708,661
Total Net Assets	\$8,324,960	\$8,780,603

Total assets decreased \$874,429. Cash and cash equivalents decreased by \$547,064 primarily due to increased expenses relating to salaries, fringe benefits, and material and supplies. Property taxes receivable also decreased by \$223,491 from fiscal year 2003 due to a decrease in assessed valuation of tangible personal property. Also, the book value of capital assets decreased \$172,567. The decrease is due to depreciation expense exceeding current year acquisitions of capital assets.

Long-term liabilities decreased \$171,706 as the School District made required bond payments of \$130,000 and did not issue new debt during fiscal year 2004. There were also slight decreases in claims payable and deferred revenue associated with the decrease in property taxes receivable.

Net assets decreased \$455,643. This decrease can be attributed to the decreases in assets and liabilities as stated above.

Table 2 shows the changes in net assets for fiscal year 2004, and comparisons to fiscal year 2003.

**Caldwell Exempted Village School District  
Management's Discussion and Analysis  
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Unaudited**

Table 2  
Change in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program Revenues:		
Charges for Services and Sales	\$650,663	\$385,959
Operating Grants and Contributions	923,025	852,215
Capital Grants and Contributions and Interest	41,568	88,125
Total Program Revenues	<u>1,615,256</u>	<u>1,326,299</u>
General Revenues:		
Property Taxes	2,150,872	2,424,230
Grants and Entitlements	3,955,706	3,874,115
Other	117,839	170,122
Total General Revenues	<u>6,224,417</u>	<u>6,468,467</u>
Total Revenues	<u>7,839,673</u>	<u>7,794,766</u>
 Program Expenses		
Instruction:		
Regular	3,633,789	3,433,079
Special	946,572	1,002,899
Vocational	147,457	161,241
Adult/Continuing	3,705	2,151
Support Services:		
Pupils	400,410	392,168
Instructional Staff	421,530	363,668
Board of Education	47,050	41,819
Administration	613,292	622,535
Fiscal	259,421	240,363
Operation and Maintenance of Plant	549,063	570,841
Pupil Transportation	610,036	646,688
Central	0	1,772
Operation of Non-Instructional Services	389,206	411,330
Extracurricular Activities	228,529	215,255
Interest	45,256	55,493
Total Expenses	<u>8,295,316</u>	<u>8,161,302</u>
 Change in Net Assets	<u>(\$455,643)</u>	<u>(\$366,536)</u>

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

**Caldwell Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited**

Our School District, which is dependent upon property taxes is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. The last successful operating levy renewal was passed in the March 2004 election. Property taxes made up 27 percent of revenues for governmental activities for Caldwell Exempted Village Schools in fiscal year 2004.

As can be seen from Table 2, the largest factor in the difference in the change in net assets can be attributed to increased expenses of \$134,014. This increase is due to salary and salary related costs associated with a 4 percent union contract increase from fiscal year 2003 levels. The largest Governmental Activities program expense is regular instruction, which comprises 44 percent of expenses. Interest expense during fiscal year 2004 was \$45,256 and was attributable to the outstanding bonds for school improvements. In addition, charges for services reflect an increase primarily due to the School District recording open enrollment at gross instead of net.

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

Table 3  
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Instruction:				
Regular	\$3,633,789	\$3,225,891	\$3,433,079	\$3,286,374
Special	946,572	491,089	1,002,899	535,776
Vocational	147,457	113,891	161,241	128,658
Adult/Continuing	3,705	3,705	2,151	2,151
Support Services:				
Pupils	400,410	347,549	392,168	341,202
Instructional Staff	421,530	285,410	363,668	272,346
Board of Education	47,050	47,050	41,819	41,819
Administration	613,292	568,347	622,535	556,707
Fiscal	259,421	259,027	240,363	240,013
Operation and Maintenance of Plant	549,063	548,059	570,841	568,519
Pupil Transportation	610,036	589,748	646,688	602,166
Central	0	0	1,772	168
Operation of Non-Instructional Services	389,206	26,561	411,330	73,275
Extracurricular Activities	228,529	128,477	215,255	130,336
Interest	45,256	45,256	55,493	55,493
Total Expenses	<u>\$8,295,316</u>	<u>\$6,680,060</u>	<u>\$8,161,302</u>	<u>\$6,835,003</u>

**Caldwell Exempted Village School District  
Management's Discussion and Analysis  
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The dependence upon tax revenues for governmental activities is apparent. Approximately 81 percent of instruction activities are supported primarily by taxes and intergovernmental revenues. For all governmental activities general revenue support is approximately 80 percent. Unrestricted State entitlements and property taxes are by far the primary support for Caldwell Exempted Village School District students.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,774,980 and expenditures of \$8,277,432. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$574,107. This net change indicates that the School District was not able to meet current obligations with current resources.

***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 2004, the School District amended its General Fund budget, but not significantly.

For the General Fund, even though the budget basis revenues were \$340,241 above final budget estimates of \$6,231,430, the inadequate revenue for general fund operations is apparent. This difference in the estimated amounts compared to the actual amounts was due to conservative tax and intergovernmental revenue estimates.

The School District's General Fund ending unobligated cash balance was \$515,594 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004, the School District had \$12,157,947 invested in land, buildings and improvements, vehicles, and machinery, equipment, furniture and fixtures in governmental activities. Table 4 shows fiscal year 2004 balances compared to 2003 after accumulated depreciation of \$5,522,168 and \$5,223,306, respectively:

(Table 4)  
Capital Assets at June 30

	Governmental Activities	
	2004	2003
Land	\$372,436	\$356,700
Buildings and Improvements	5,753,091	5,929,403
Vehicles	279,609	246,307
Machinery, Equipment, Furniture, and Fixtures	230,643	275,936
Totals	\$6,635,779	\$6,808,346

**Caldwell Exempted Village School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited**

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The primary decrease occurred in buildings and improvements due to annual depreciation costs. See Note 9 for more detailed information of the School District's capital assets.

***Set-asides***

For fiscal year 2004, Ohio law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2004, this amounted to \$123,587 for each set aside. For fiscal year 2004 the School District had qualifying disbursements or offsets exceeding this \$123,587 requirement for textbooks and capital maintenance.

***Debt***

At June 30, 2004 the School District had \$520,000 in bonds outstanding, with \$130,000 due within one year. Table 5 summarizes bonds outstanding:

(Table 5)  
Outstanding Debt, at Year End

	Governmental Activities 2004	Governmental Activities 2003
General Obligation Bonds:		
1987 Elementary School Improvement	\$520,000	\$650,000

The 1987 School Improvement Bonds were originally issued in the amount of \$2,750,000 for the purpose of constructing a new elementary school, remodeling, renovating, furnishing, equipping and otherwise improving existing school buildings and acquiring and improving school sites. These general obligations will be paid from the Bond Retirement Debt Service Fund. See Note 15 for more detailed information of the School District's debt.

**Contacting the School District's Financial Management**

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

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Caldwell Exempted Village School District, Ohio  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,709,097
Cash and Cash Equivalents with Fiscal Agents	882,984
Accounts Receivable	20,263
Intergovernmental Receivable	84,595
Materials and Supplies Inventory	915
Inventory Held for Resale	7,596
Prepaid Items	130,974
Property Taxes Receivable	2,260,876
Nondepreciable Capital Assets	372,436
Depreciable Capital Assets, Net	6,263,343
Total Assets	<u>12,733,079</u>
 <b>Liabilities</b>	
Accounts Payable	50,787
Accrued Wages and Benefits Payable	913,557
Matured Compensated Absences Payable	34,254
Accrued Interest Payable	3,254
Intergovernmental Payable	193,153
Claims Payable	328,255
Deferred Revenue	1,945,220
Long-Term Liabilities:	
Due Within One Year	211,316
Due In More Than One Year	728,323
Total Liabilities	<u>4,408,119</u>
 <b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	6,115,779
Restricted for:	
Capital Projects	19,932
Debt Service	336,292
Set-Asides	28,284
Other Purposes	289,602
Unrestricted	1,535,071
Total Net Assets	<u><u>\$8,324,960</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, 2004

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for Services and Sales	Operating Grants Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$3,633,789	\$312,611	\$95,287	\$0	(\$3,225,891)
Special	946,572	0	455,483	0	(491,089)
Vocational	147,457	0	33,566	0	(113,891)
Adult/Continuing	3,705	0	0	0	(3,705)
Support Services:					
Pupils	400,410	44,932	7,929	0	(347,549)
Instructional Staff	421,530	0	113,570	22,550	(285,410)
Board of Education	47,050	0	0	0	(47,050)
Administration	613,292	0	44,945	0	(568,347)
Fiscal	259,421	0	394	0	(259,027)
Operation and Maintenance of Plant	549,063	853	0	151	(548,059)
Pupil Transportation	610,036	0	1,421	18,867	(589,748)
Operation of Non-Instructional Services:					
Food Service Operations	352,277	170,174	133,200	0	(48,903)
Other Non-Instructional Services	36,929	25,290	33,981	0	22,342
Extracurricular Activities	228,529	96,803	3,249	0	(128,477)
Interest	45,256	0	0	0	(45,256)
<b>Total Governmental Activities</b>	<b>\$8,295,316</b>	<b>\$650,663</b>	<b>\$923,025</b>	<b>\$41,568</b>	<b>(6,680,060)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					1,905,170
Debt Service					207,870
Other Purposes					37,832
Grants and Entitlements not Restricted to Specific Programs					3,955,706
Investment Earnings					39,546
Payments in Lieu of Taxes					9,239
Miscellaneous					69,054
<b>Total General Revenues</b>					<b>6,224,417</b>
Change in Net Assets					(455,643)
Net Assets Beginning of Year					8,780,603
Net Assets End of Year					<b>\$8,324,960</b>

See accompanying notes to the basic financial statements



Caldwell Exempted Village School District, Ohio  
Balance Sheet  
Governmental Funds  
June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,761,096	\$309,486	\$610,231	\$2,680,813
Materials and Supplies Inventory	0	0	915	915
Inventory Held for Resale	0	0	7,596	7,596
Accounts Receivable	20,134	0	129	20,263
Intergovernmental Receivable	0	0	84,595	84,595
Prepaid Items	116,105	0	14,869	130,974
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	28,284	0	0	28,284
Property Taxes Receivable	2,002,535	218,580	39,761	2,260,876
<b>Total Assets</b>	<b>\$3,928,154</b>	<b>\$528,066</b>	<b>\$758,096</b>	<b>\$5,214,316</b>
<b>Liabilities</b>				
Accounts Payable	\$38,272	\$0	\$12,515	\$50,787
Accrued Wages and Benefits Payable	836,657	0	76,900	913,557
Matured Compensated Absences Payable	34,254	0	0	34,254
Intergovernmental Payable	116,538	0	13,764	130,302
Deferred Revenue	1,790,066	196,540	39,655	2,026,261
<b>Total Liabilities</b>	<b>2,815,787</b>	<b>196,540</b>	<b>142,834</b>	<b>3,155,161</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	185,291	0	63,921	249,212
Reserved for Unclaimed Monies	637	0	0	637
Reserved for Budget Stabilization	28,284	0	0	28,284
Reserved for Property Taxes	212,469	22,040	4,094	238,603
Unreserved:				
Designated for Budget Stabilization	40,000	0	0	40,000
Undesignated, Reported in:				
General Fund	645,686	0	0	645,686
Special Revenue Funds	0	0	256,514	256,514
Debt Service	0	309,486	0	309,486
Capital Projects Funds	0	0	290,733	290,733
<b>Total Fund Balances</b>	<b>1,112,367</b>	<b>331,526</b>	<b>615,262</b>	<b>2,059,155</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,928,154</b>	<b>\$528,066</b>	<b>\$758,096</b>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				6,635,779
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:				
	Property Taxes		77,053	
	Grants		3,988	
	<b>Total Other Long-Term Assets</b>			<b>81,041</b>
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.				554,729
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.				(62,851)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:				
General Obligation Bonds			(520,000)	
Compensated Absences			(419,639)	
Accrued Interest Payable			(3,254)	
<b>Total Long-Term Liabilities</b>				<b>(942,893)</b>
<b>Net Assets of Governmental Activities</b>				<b>\$8,324,960</b>

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, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,910,255	\$208,524	\$37,942	\$2,156,721
Intergovernmental	4,232,221	24,093	666,084	4,922,398
Interest	32,487	0	205	32,692
Tuition and Fees	312,611	0	0	312,611
Extracurricular Activities	0	0	141,735	141,735
Rentals	853	0	0	853
Charges for Services	0	0	170,174	170,174
Contributions and Donations	0	0	3,588	3,588
Payments in Lieu of Taxes	9,239	0	0	9,239
Miscellaneous	24,870	0	99	24,969
Total Revenues	<u>6,522,536</u>	<u>232,617</u>	<u>1,019,827</u>	<u>7,774,980</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,471,782	0	90,651	3,562,433
Special	695,329	0	208,698	904,027
Vocational	122,407	0	301	122,708
Adult/Continuing	3,705	0	0	3,705
Support Services:				
Pupils	340,483	0	49,611	390,094
Instructional Staff	278,747	0	119,272	398,019
Board of Education	45,628	0	0	45,628
Administration	572,780	0	41,855	614,635
Fiscal	242,153	9,220	2,009	253,382
Operation and Maintenance of Plant	519,284	0	56,246	575,530
Pupil Transportation	638,706	0	1,195	639,901
Operation of Non-Instructional Services:				
Food Service Operations	0	0	344,233	344,233
Other Non-Instructional Services	20,585	0	1,037	21,622
Extracurricular Activities	125,054	0	100,392	225,446
Debt Service:				
Principal Retirement	0	130,000	0	130,000
Interest and Fiscal Charges	0	46,069	0	46,069
Total Expenditures	<u>7,076,643</u>	<u>185,289</u>	<u>1,015,500</u>	<u>8,277,432</u>
Excess of Revenues Over/(Under) Expenditures	<u>(554,107)</u>	<u>47,328</u>	<u>4,327</u>	<u>(502,452)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	20,000	20,000
Transfers Out	(20,000)	0	0	(20,000)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>0</u>	<u>20,000</u>	<u>0</u>
Net Change in Fund Balances	(574,107)	47,328	24,327	(502,452)
Fund Balances Beginning of Year	<u>1,686,474</u>	<u>284,198</u>	<u>590,935</u>	<u>2,561,607</u>
Fund Balances End of Year	<u>\$1,112,367</u>	<u>\$331,526</u>	<u>\$615,262</u>	<u>\$2,059,155</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, 2004

Net Change in Fund Balances - Total Governmental Funds (\$502,452)

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:

	Fixed Asset Additions	\$206,095	
	Current Year Depreciation	<u>(378,662)</u>	(172,567)

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

	Grants	(5,908)	
	Delinquent Property Taxes	<u>(5,849)</u>	(11,757)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 130,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 813

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

	Compensated Absences	41,706	
	Pension Obligation	<u>2,924</u>	44,630

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. 55,690

Change in Net Assets of Governmental Activities (\$455,643)

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, 2004

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,907,530	\$1,726,584	\$1,970,902	\$244,318
Intergovernmental	3,923,853	4,161,874	4,231,376	69,502
Interest	37,335	45,200	40,261	(4,939)
Tuition and Fees	289,930	284,200	312,653	28,453
Rentals	819	700	883	183
Payments in Lieu of Taxes	8,568	6,000	9,239	3,239
Miscellaneous	5,895	6,872	6,357	(515)
<b>Total Revenues</b>	6,173,930	6,231,430	6,571,671	340,241
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,378,308	3,378,308	3,509,004	(130,696)
Special	741,443	741,063	702,381	38,682
Vocational	148,204	148,204	135,837	12,367
Adult/Continuing	4,055	4,055	3,705	350
Support Services:				
Pupils	342,978	343,358	363,970	(20,612)
Instructional Staff	328,237	328,237	315,485	12,752
Board of Education	85,797	85,797	71,208	14,589
Administration	559,738	559,738	556,395	3,343
Fiscal	260,752	260,752	245,178	15,574
Operation and Maintenance of Plant	600,410	600,410	556,817	43,593
Pupil Transportation	717,459	717,459	672,277	45,182
Operation of Non-Instructional Services	11,849	11,849	23,430	(11,581)
Extracurricular Activities	119,673	119,673	124,150	(4,477)
Capital Outlay	1,000	1,000	7,000	(6,000)
<b>Total Expenditures</b>	7,299,903	7,299,903	7,286,837	13,066
<b>Excess of Revenues Over/(Under) Expenditures</b>	(1,125,973)	(1,068,473)	(715,166)	353,307
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	0	500	0	(500)
Refund of Prior Year Expenditures	0	0	4,373	4,373
Advances In	0	0	4,210	4,210
Refund of Prior Year Receipts	0	0	(796)	(796)
Other Financing Uses	(100,000)	(158,000)	0	158,000
Transfers Out	(17,000)	(17,000)	(20,000)	(3,000)
<b>Total Other Financing Sources (Uses)</b>	(117,000)	(174,500)	(12,213)	162,287
<b>Net Change in Fund Balance</b>	(1,242,973)	(1,242,973)	(727,379)	515,594
Fund Balance Beginning of Year	1,843,855	1,843,855	1,843,855	0
Prior Year Encumbrances Appropriated	437,014	437,014	437,014	0
<b>Fund Balance End of Year</b>	\$1,037,896	\$1,037,896	\$1,553,490	\$515,594

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, 2004

<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agents	<u>\$882,984</u>
Total Assets	<u>882,984</u>
<b>Current Liabilities</b>	
Claims Payable	<u>328,255</u>
Total Liabilities	<u>328,255</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$554,729</u></u>

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, 2004

<b>Operating Revenues</b>	
Charges for Services	\$1,282,221
Miscellaneous	44,101
	<hr/>
Total Operating Revenues	1,326,322
	<hr/>
<b>Operating Expenses</b>	
Purchased Services	277,964
Claims	999,727
	<hr/>
Total Operating Expenses	1,277,691
	<hr/>
Operating Income	48,631
	<hr/>
<b>Non-Operating Revenues</b>	
Interest	7,059
	<hr/>
Total Non-Operating Revenues	7,059
	<hr/>
Change in Net Assets	55,690
Net Assets Beginning of Year	499,039
	<hr/>
Net Assets End of Year	\$554,729
	<hr/> <hr/>

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, 2004

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Transactions with Other Funds	\$1,282,221
Other Cash Receipts	44,101
Cash Payments for Goods and Services	(277,964)
Cash Payments for Claims	<u>(1,096,583)</u>
Net Cash Used for Operating Activities	(48,225)

**Cash Flows from Investing Activities**

Interest on Investments	<u>7,059</u>
Net Decrease in Cash and Cash Equivalents	(41,166)

Cash and Cash Equivalents Beginning of Year	<u>924,150</u>
Cash and Cash Equivalents End of Year	<u><u>\$882,984</u></u>

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

Operating Income	\$48,631
Decrease in Claims Payable	<u>(96,856)</u>
Net Cash Used for Operating Activities	<u><u>(\$48,225)</u></u>

See accompanying notes to the basic financial statements

Caldwell Exempted Village School District, Ohio  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2004

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$23,789
Cash and Cash Equivalents with Escrow Agents	<u>13,132</u>
Total Assets	<u><u>\$36,921</u></u>
<b>Liabilities</b>	
Undistributed Monies	\$13,132
Due to Students	<u>23,789</u>
Total Liabilities	<u><u>\$36,921</u></u>

See accompanying notes to the basic financial statements



## **Note 1 - Description of the School District and Reporting Entity**

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

The School District is located in Caldwell, Ohio, in Noble County. The Board of Education controls the School District's three instructional/support facilities staffed by 46 classified employees, 78 certificated full-time teaching personnel, and 4 administrators who provide services to 1,020 students and other community members. The School District is the 497<sup>th</sup> largest in the State of Ohio (among 613 school districts) in terms of enrollment.

### *Reporting Entity*

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

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

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

## **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.

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

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

### ***B. Fund Accounting***

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

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

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

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

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

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

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

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

### **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.

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

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

***D. Basis of Accounting***

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

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

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

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

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

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***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". The School District maintains an escrow account that is held separate from the School District's central bank account and is reflected in the financial statements as "Cash and Cash Equivalents with Escrow Agents" (See Note 17).

During fiscal year 2004, the School District's investments were limited to Certificates of Deposit, federal agency securities, and STAROhio. Certificates of deposit are reported at cost. Federal Agency securities are reported at fair value based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

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 2004 amounted to \$32,487, which includes \$9,861 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, 2004, 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 expense/expenditure is reported in the year in which services are consumed.

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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***G. Inventory***

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

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

***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. 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:

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

***I. Interfund Balances***

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

***J. Compensated Absences***

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

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

***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, compensated absences, and contractually required pension contributions 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. Bonds and leases are recognized as a liability on the governmental fund financial statements when due.

***L. Interfund Activity***

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 enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set asides.

***N. Fund Balance Reserves and Designations***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, unclaimed monies, budget stabilization and property taxes.

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

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

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include food service operations and instructional and support services activities.

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

***P. Operating Revenues and Expenses***

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

***Q. Extraordinary and Special Items***

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

***R. Estimates***

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



Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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***S. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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.

The appropriation resolution is subject to amendment by the Board 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 prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Note 3 – Change in Accounting Principle**

For fiscal year 2004, the School District implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". This statement further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of the new statement had no effect on the School District's financial statements for fiscal year 2003.

**Note 4 – Accountability and Compliance**

***A. Accountability***

At June 30, 2004, the Disadvantaged Pupil Impact Aid Special Revenue Fund had a deficit fund balance in the amount of \$4,236. 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.

***B. Compliance***

The Disadvantaged Pupil Impact Aid Special Revenue Fund had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code in the amount of \$483. Management has indicated that expenditures will be closely monitored to ensure no future violations.

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**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 basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash/change in fair market value of investments represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance	
GAAP Basis	(\$574,107)
Net Adjustment for Revenue Accruals	45,708
Fiscal Year 2003 Unrecorded Cash	6,499
Fiscal Year 2004 Decrease in Fair Market Value of Investments	1,301
Fiscal Year 2003 Prepaid Items	109,547
Fiscal Year 2004 Prepaid Items	(116,105)
Net Adjustment for Expenditure Accruals	32,759
Advance In	4,210
Encumbrances	<u>(237,191)</u>
Budget Basis	<u><u>(\$727,379)</u></u>

**Note 6 - Deposits and Investments**

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

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

Caldwell Exempted Village School District  
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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.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

At June 30, 2004, the School District's internal service fund had a balance of \$882,984 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments 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.

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$337,059 and the bank balance was \$483,119 Of the bank balance:

1. \$213,132 was covered by federal depository insurance; and
2. \$269,987 was uninsured and uncollateralized. Although all State 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.

**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District investments in STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Caldwell Exempted Village School District  
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Investment	Category 2	Fair Value	Rate	Maturity
Government Securities:				
Federal Home Loan Bank Agency Notes	\$200,000	\$198,938	1.50%	05/19/2005
Federal Home Loan Bank Agency Notes	200,000	198,688	2.07%	11/10/2005
Federal Home Loan Bank Agency Notes	200,000	198,500	2.03%	11/25/2005
Federal National Mortgage Association Agency Discount Notes	199,376	199,480	0.00%	09/08/2004
Federal Home Loan Mortgage Corporation Agency Discount Notes	199,008	199,120	0.00%	10/15/2004
First American Treasury Money Market Fund	19,872	19,872	N/A	N/A
Star Ohio	0	1,394,361		
<b>Total</b>	<b>\$1,018,256</b>	<b>\$2,408,959</b>		

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$3,629,002	\$0
Deposits with Fiscal Agent	(882,984)	0
Investment which is part of the Cash Management Pool:		
Federal Agency Securities	(1,014,598)	1,014,598
Investment in STAR Ohio	(1,394,361)	1,394,361
GASB Statement 3	<u>\$337,059</u>	<u>\$2,408,959</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenues received in calendar 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Caldwell Exempted Village School District. The County Auditor periodically advances to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 and the late June personal property tax settlement, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal taxes which were measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late June personal property tax settlement were levied to finance current fiscal year operations. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2004, \$212,469 was available as an advance in the General Fund, \$4,094 was available to the Classroom Facilities Special Revenue Fund, and \$22,040 was available to the Bond Retirement Debt Service Fund. The amount available as an advance at June 30, 2003, was \$273,116 in the General Fund, \$5,306 in the Classroom Facilities Special Revenue Fund, and \$28,668 in the Bond Retirement Debt Service Fund.

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

Caldwell Exempted Village School District  
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The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,946,440	70.48%	\$66,673,050	71.05%
Public Utility Personal	10,514,730	11.59%	11,124,710	11.85%
Tangible Personal Property	16,272,050	17.93%	16,043,260	17.10%
<b>Total</b>	<b>\$90,733,220</b>	<b>100.00%</b>	<b>\$93,841,020</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed valuation	 \$34.20		 \$34.70	

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of property taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities:</b>	
Lunch and Breakfast Reimbursements	\$15,486
Title V	667
Adult Vocational Education	322
Special Idea Part B Grant	54,431
Title IIA Grant	4,634
Title VID Grant	550
Early Childhood Grant	1,807
Student Reading Intervention	6,698
<b>Total</b>	<b>\$84,595</b>

Caldwell Exempted Village School District  
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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
<b>Nondepreciable Capital Assets</b>				
Land	\$356,700	\$15,736	\$0	\$372,436
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	9,353,111	43,721	0	9,396,832
Vehicles	1,035,119	114,630	0	1,149,749
Machinery, Equipment, Furniture and Fixtures	1,286,722	32,008	(79,800)	1,238,930
Total Capital Assets Being Depreciated	<u>11,674,952</u>	<u>190,359</u>	<u>(79,800)</u>	<u>11,785,511</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,423,708)	(220,033)	0	(3,643,741)
Vehicles	(788,812)	(81,328)	0	(870,140)
Machinery, Equipment, Furniture, and Fixtures	(1,010,786)	(77,301)	79,800	(1,008,287)
Total Accumulated Depreciation	<u>(5,223,306)</u>	<u>(378,662) *</u>	<u>79,800</u>	<u>(5,522,168)</u>
Total Capital Assets Being Depreciated, Net	<u>6,451,646</u>	<u>(188,303)</u>	<u>0</u>	<u>6,263,343</u>
Governmental Activities Capital Assets, Net	<u>\$6,808,346</u>	<u>(\$172,567)</u>	<u>\$0</u>	<u>\$6,635,779</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$119,017
Special		36,929
Vocational		25,568
Support Services:		
Pupils		8,327
Instructional Staff		21,886
Board of Education		2,372
Administration		17,885
Fiscal		4,732
Operation and Maintenance of Plant		33,487
Pupil Transportation		88,436
Non-Instructional Services - Food Service Operations		14,449
Extracurricular Activities		5,574
Total Governmental Depreciation		<u>\$378,662</u>

**Note 10 - Interfund Transfers**

A transfer was made during fiscal year 2004 for \$20,000 to the Food Service Special Revenue Fund from the General Fund. This transfer was made to move unrestricted balances to support this non-instructional program accounted for in a separate fund.



Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
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**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 2004, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 16)

During fiscal year 2004, the School District purchased the following coverage:

<u>Ohio School Plan</u>		
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$250,000	any one accident
Comprehensive	actual cash value	Buses - \$1,000 deductible Other Autos \$250 deductible
Collision	actual cash value	Buses - \$1,000 deductible Other Autos \$500 deductible
Towing and Labor	actual cash value	\$50 deductible
Liability Coverages:		
General Liability Aggregate Limit	\$3,000,000	
Employee Liability Coverage Aggregate Limit	\$3,000,000	
Employers' Liability Each Accident	\$1,000,000	
Errors and Omissions Aggregate Limit	\$2,000,000	
Employment Practices Injury Aggregate Limit	\$2,000,000	
<u>Westfield Insurance Company</u>		
Building and personal property	\$17,091,900	Blanket with \$1,000 deductible
Football uniforms and equipment	\$25,000	\$500 deductible

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

**B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan GRP), an insurance purchasing pool (Note 16) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administration costs and actuarial services to the GRP.

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
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**C. Medical/Surgical, Dental, Vision, and Prescription Drug Insurances**

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The School District pays all but \$8 for classified employees and \$20 for certified employees in premiums for basic medical insurance and all but \$1 for classified employees for major medical coverage. In addition, the School District pays the entire premium for dental and prescription drug coverage and also covers one-half of the cost of vision insurance for all employees. The School District is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$328,255 reported in the internal service fund at June 30, 2004, 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. The plan maintains an internal stop-loss coverage for individual claims between \$35,000 and \$75,000. An external insurer covers claims in excess of \$75,000.

Changes in the fund's claims liability amount in 2003 and 2004 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2003	\$225,951	\$1,285,292	\$1,086,132	\$425,111
2004	\$425,111	\$999,727	\$1,096,583	\$328,255

**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 260 days per year 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 than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 225 days for certified employees and up to 220 days for classified employees. Upon retirement, certificated employees receive payment for one-fourth of the total sick leave accumulation up to a maximum of 41 days plus one additional day for every three years spent in the School District. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation up to 36 total paid days plus one and one-half days of severance pay for every three years of continuous employment leading up to retirement.

**B. Insurance**

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

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
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**Note 13 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$81,165, \$69,365, and \$44,717, respectively; 61 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$31,921 representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

***B. State Teachers Retirement System***

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

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

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$432,718, \$418,736, and \$287,375 respectively; 82 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$3,648 made by the School District and \$7,028 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, there are no employees who have elected Social Security.

**Note 14 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$33,286 for fiscal year 2004.

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

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$57,530.

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

**Note 15 - Long Term Obligations**

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

	Outstanding 06/30/03	Additions	Reductions	Outstanding 06/30/04	Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
1987 7.875% School Improvement	\$650,000	\$0	(\$130,000)	\$520,000	\$130,000
Compensated Absences	461,345	18,592	(60,298)	419,639	81,316
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,111,345</u>	<u>\$18,592</u>	<u>(\$190,298)</u>	<u>\$939,639</u>	<u>\$211,316</u>

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004, are as follows:

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$130,000	\$35,831	\$165,831
2006	130,000	25,594	155,594
2007	130,000	15,356	145,356
2008	130,000	5,119	135,119
Total	<u>\$520,000</u>	<u>\$81,900</u>	<u>\$601,900</u>

The overall debt margin of the School District as of June 30, 2004, was \$8,445,692, with an unvoted debt margin of \$93,841.

**Note 16 - Jointly Governed Organizations and Public Entity Risk Pools**

**A. Jointly Governed Organizations**

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The School District's payment for computer services to OME-RESA in fiscal year 2004 was \$19,656. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

The **East Central Ohio Special Education Regional Resource Center (ECO SERRC)** is a special education regional resource center which selects its own board, adopts its own budget, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by a board composed of superintendents of member school districts in east central Ohio, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, and representatives of universities. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for ECO SERRC. During fiscal year 2004, the School District paid \$2,724 to ECO SERRC. Financial information can be obtained by contacting Julie A Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Education Service Center, 172 North Broadway, New Philadelphia, Ohio 44663.

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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The **Coalition of Rural and Appalachian Schools** is a jointly governed organization including 134 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. The board members consist of one member elected and one member appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from the Ohio University College of Education. The Coalition provides various in-service functions for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2004, the School District paid \$300 to the Coalition.

***B. Public Entity Risk Pools***

***Group Insurance Purchasing Pools*** The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee for fiscal year 2004 was \$2,394.

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

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

Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**Note 17 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**B. Litigation**

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

The School District established an escrow account in name of J.A. Raeder, Inc., during the construction projects performed by this company. At June 30, 2004, the balance in the account was \$13,132 and is reported on the statement of fiduciary assets and liabilities as "cash and cash equivalents with escrow agents". The School District has not released the money because it contends that it is entitled to these funds due to this issue currently being in litigation. The balance in the escrow account can only be released by the School District Treasurer.

**Note 18 - Set-Asides**

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

Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the workers' compensation refunds.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance as of June 30, 2003	(\$29,395)	\$0	\$28,284
Current year set-aside requirement	123,587	123,587	0
Current year offsets	0	(43,386)	0
Qualifying disbursements	(127,722)	(206,842)	0
Total	<u>(\$33,530)</u>	<u>(\$126,641)</u>	<u>\$28,284</u>
Set-aside balance carried forward to future fiscal years	(\$33,530)	\$0	\$28,284
Set-aside reserve balance as of June 30, 2004	\$0	\$0	\$28,284



Caldwell Exempted Village School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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

**Note 19 - State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT  
NOBLE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ <i>Pass-Through Grantor/ Program Title</i>	Pass-Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550		\$26,050		\$26,050
School Breakfast Program	045252-05-PU-03	10.553	\$2,334 15,004		\$2,334 15,004	
Total School Breakfast Program			17,338		17,338	
National School Lunch Program	045252-LL-P4-03 045252-LL-P4-04	10.555 10.555	11,231 72,438		11,231 72,438	
Total National School Lunch Program			83,669		83,669	
Total United States Department of Agriculture - Child Nutrition Cluster			101,007	26,050	101,007	26,050
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Grants to Local Educational Agencies	045252-C1-S1-03 045252-C1-S1-04	84.010 84.010	8,797 210,747		25,761 188,559	
Total Title I			219,544		214,320	
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	045252-6B-SF-02P 045252-6B-SF-03P 045252-6B-SF-04P	84.027 84.027 84.027	197 7,651 100,159		197 36,023 98,346	
Total Special Education Grants to States			108,007		134,566	
Special Education-Preschool Grants	045252-PG-S1-03P 045252-PG-S1-04	84.173 84.173	459 8,836		825 8,334	
Total Special Education-Preschool Grants			9,295		9,159	
Total Special Education Cluster			117,302		143,725	
Safe and Drug Free Schools and Communities- State Grants	045252-DR-S1-02 045252-DR-S1-03 045252-DR-S1-04	84.186 84.186 84.186	(1,427) 999 4,660		0 2,419 2,301	
Total Safe and Drug Free Schools			4,232		4,720	
Innovative Education Program Strategies (Title VI)	045252-C2-S1-03 045252-C2-S1-04	84.298 84.298	(2,151) 5,773		0 3,687	
Total Innovative Education Program Strategies			3,622		3,687	
Education Technology State Grants	045252-TJ-S1-03 045252-TJ-S1-04	84.318 84.318	2,361 2,758		3,038 2,084	
Total Education Technology State Grants			5,119		5,122	
Improving Teacher Quality State Grants	045252-TR-S1-03 045252-TR-S1-04	84.367 84.367	5,823 44,464		9,680 39,044	
Total Improving Teacher Quality State Grants			50,287		48,724	
Total United States Department of Education			400,106		420,298	
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$501,113</b>	<b>\$26,050</b>	<b>\$521,305</b>	<b>\$26,050</b>

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

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT  
NOBLE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

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

**NOTE C – MATCHING REQUIREMENTS**

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Caldwell Exempted Village School District, Noble County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the School District's management in a separate letter dated January 21, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the School District's management in a separate letter dated January 21, 2005.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701  
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Caldwell Exempted Village School District  
Noble County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 21, 2005



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Caldwell Exempted Village School District, Noble County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to the School District's management in a separate letter dated January 21, 2005.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 21, 2005



**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505  
JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under Section .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Grants to Local Educational Agencies – C.F.D.A. 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT  
NOBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 SECTION .505  
JUNE 30, 2004  
(Continued)**

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

There were no findings related to the financial statements required to be reported herein.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards that were required to be reported herein.



**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**CALDWELL EXEMPTED VILLAGE SCHOOL DISTRICT  
NOBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 24, 2005**