



Dave Yost • Auditor of State

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, Ohio as of June 30, 2011, and the respective changes in modified cash financial position, thereof and budgetary comparison for the General for the year then ended in conformity with the basis of accounting Note 1 describes.

As described in Note 3, during 2011, the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

August 10, 2011

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The discussion and analysis of the Coldwater Exempted Village School District's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- General Receipts accounted for \$11,977,496 in receipts or 78% of all receipts. Program specific receipts in the form of charges for services, grants, contributions and interest accounted for \$3,470,035 or the other 22% of total receipts of \$15,447,531.
- Total program disbursements were \$15,566,107.
- Outstanding debt decreased from \$9,033,240 to \$8,555,996 through the payment of loan and bond principal amounts.

Using this Annual Report

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Coldwater Exempted Village School District, the general, debt service and permanent improvement funds are the most significant funds.

The notes to the financial statements are an integral part of the district-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, the debt service fund and the permanent improvement fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using a modified cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the School District's other financial statements because the resources from these funds are not available to support the School District's programs. These funds use the modified cash basis of accounting.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 16 and 17.

These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

The School District as a Whole

This year's financial statements were prepared on the modified cash basis utilizing the GASB Statement No. 34 presentation. Table 1 provides a summary of the School District's net assets for 2011 and 2010, comparatively:

**Table 1
Net Assets – Cash Basis**

	Governmental Activities	
	2011	2010 - Restated
Assets:		
Cash and Cash Equivalents	\$5,339,461	\$5,458,038
Total Assets	<u>5,339,461</u>	<u>5,458,038</u>
Net Assets:		
Restricted:		
Capital Outlay	1,005,980	1,059,423
Debt Service	856,976	926,302
Other Purposes	856,476	1,098,071
Unrestricted	<u>2,620,029</u>	<u>2,374,241</u>
Total Net Assets	<u>\$5,339,461</u>	<u>\$5,458,037</u>

Net assets of the governmental activities decreased \$118,576, which represents a 2% decrease over fiscal year 2010. The decrease is the result of decreased income tax receipts.

A portion of the School District's net assets, \$2,719,432, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$2,620,029 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

**Table 2
Change in Net Assets – Cash Basis**

	Governmental Activities	
	2011	2010
Receipts:		
Program Receipts:		
Charges for Services	\$1,536,601	\$1,154,320
Operating Grants	1,743,621	1,726,340
Capital Grants	189,813	
General Receipts:		
Property and Income Taxes	4,518,942	4,591,594
Payments in lieu of Taxes	1,500	6,245
Grants and Entitlements	7,359,309	7,609,222
Proceeds from Sale of Capital Assets	31,983	5,787
Interest	34,136	35,174
Miscellaneous	31,626	3,991
General Obligation Bonds Issued		790,000
Premium on Bonds Issued		37,001
Total Receipts	<u>15,447,531</u>	<u>15,959,674</u>

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

**Table 2
Change in Net Assets – Cash Basis
(Continued)**

	Governmental Activities	
	2011	2010
Program Disbursements:		
Instruction	9,567,688	9,074,510
Support Services	3,745,504	3,647,707
Non-Instructional/Food Services	525,308	552,034
Extracurricular	614,497	597,167
Capital Outlay		5,876
Debt Service	1,113,110	1,937,115
Total Disbursements	<u>15,566,107</u>	<u>15,814,409</u>
Transfers		413
(Decrease)/Increase in Net Assets	<u>(\$ 118,576)</u>	<u>\$ 145,678</u>

Several receipt sources fund the School District's governmental activities with grants and entitlements being the largest contributor. Grants and entitlements generated approximately \$7.4 million in 2011. General receipts from property and income taxes are also a large generator of \$4.5 million.

Instruction comprises 61% of governmental program disbursements. Support services disbursements were 24% of governmental program disbursements. Debt service disbursements were 7% of governmental program disbursements in fiscal year 2011. All other disbursements were 8%.

Overall net assets of the School District decreased \$118,576 or 2% compared to fiscal year 2010.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2011 as compared to 2010. That is, it identifies the cost of these services, which must be supported by tax receipts and unrestricted State entitlements.

**Table 3
Governmental Activities**

	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 9,567,688	\$ 7,224,784	\$ 9,074,510	\$ 7,270,359
Support Services:				
Pupil and Instructional Staff	711,926	705,101	758,024	751,165
Board of Education, Administration and Fiscal	1,511,902	1,406,623	1,514,609	1,415,532
Operation and Maintenance of Plant	1,165,816	1,031,668	1,011,553	952,812
Pupil Transportation	328,938	328,938	336,446	336,446
Central Services	26,922	21,922	27,075	22,075
Operation of Non- Instructional/Food Svcs.	525,308	(1,933)	552,034	1,066
Extracurricular Activities	614,497	265,859	597,167	241,303
Capital Outlay			5,876	5,876
Debt Service	1,113,110	1,113,110	1,937,115	1,937,115
Total	<u>\$15,566,107</u>	<u>\$12,096,072</u>	<u>\$15,814,409</u>	<u>\$12,933,749</u>

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Instruction and student support services comprise 66% of governmental program disbursements. Board of Education, fiscal and administration charges were 10%. Fiscal disbursements include payments to the County Auditor(s) for administrative fees and other administrative services provided for the School District. Pupil transportation and the operation/maintenance of facilities accounts for 10% of governmental program disbursements.

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

A cash-flow analysis continues to be maintained to determine the maximum level of funds available for investment, as well as to determine investment length and maturity. The School District's fiscal officer does participate in the yearly State of Ohio Investment Seminar offered by the Ohio Treasurer of State's Center for Public Investment Management.

The School District also maintains analyses of utilities and other maintenance disbursements to examine the data regarding any increased operational costs for the newly-renovated facility. Base-line data was collected in calendar year 2003 and has been maintained since that time for proper data analysis of those disbursements.

The School District's Funds

The School District has three major governmental funds: the general fund, debt service fund and permanent improvement fund. The assets of these funds comprise \$4,514,239, or 85% of the \$5,339,461 in total governmental funds' assets.

General Fund - Fund balance at June 30, 2011 was \$2,651,283, including \$904,095 of unassigned balance. General Fund receipts for fiscal year 2011 were \$11,832,285, or 76% of total governmental receipts of \$15,479,961. General fund disbursements for fiscal year 2011 were \$12,009,474, or 77% of total governmental disbursements of \$15,566,107. From fiscal year 2010 to 2011, receipts and disbursements increased approximately 2% and 4%, respectively. During fiscal year 2011, property tax receipts increased approximately 2% and tuition and fees increased significantly, which had an impact on the percentage of change from fiscal year 2010 to fiscal year 2011. The increase in disbursements was mostly attributable to an increase in instruction disbursements.

Debt Service Fund - Fund balance at June 30, 2011 was \$1,005,980, the entire fund balance is restricted. Debt service fund receipts for fiscal year 2011 were \$1,178,833, or 8% of total governmental receipts of \$15,479,961. Debt service fund disbursements for fiscal year 2011 were \$1,099,155, or 7% of total governmental disbursements of \$15,566,107. During fiscal year 2011, receipts of the Debt Service fund decreased by approximately 2%, mostly attributable to a decrease in intergovernmental receipts. Debt Service fund disbursements decreased by 43% due to the payment of principal and interest of the 1993 Refinance Bonds in 2010. For additional information regarding the debt of the School District, see Note 8 to the basic financial statements.

Permanent Improvement Fund - Fund balance at June 30, 2011 was \$856,976, the entire fund balance is restricted. Permanent Improvement Fund receipts for fiscal year 2011 were \$117,424, or 8% of total governmental receipts of \$15,479,961. Improvement fund disbursements for fiscal year 2011 were \$304,978, or 2% of total governmental disbursements of \$15,566,107.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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 2011, the School District amended its general fund budget to reflect changing circumstances. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue of \$11,855,604 showed a \$174,980 increase from the original budget estimates. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

For the general fund, budget basis, actual receipts were \$11,832,285, which was \$23,319 under the final budget estimates of \$11,855,604. Of this decrease, most was attributable to a decrease from estimated income tax receipts. Actual disbursements were \$12,238,331, which was \$816,196 under the final budget estimates of \$13,054,527. Of this decrease, most was attributed to monitored spending of Instruction and Support Services. Actual disbursements for Instruction were \$444,708 less than the budgeted amount. Actual disbursements for Support Services were \$344,026 less than budgeted.

It should be noted that the budgetary process involves the entire district and that the process is very hands-on in its approach to site-based budgeting. School District department heads, as well as administrators, formulate the operating budget of the district related to instruction and instructional support. The budget is continually reviewed by these parties throughout the year.

Set Aside and Debt Administration

Set-Aside

Ohio law requires school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks (see note 13). For fiscal year 2011, this amounted to \$222,341 for each set aside. The School District has qualifying disbursements and offsets for capital acquisition equaling \$222,341. For the textbooks, the School District disbursed \$206,349 with the deficit balance scheduled to be carried forward into the 2012 fiscal year. The district fully utilizes both the materials and the equipment set-aside funds for those qualified expenditures.

Debt

At June 30, 2011, the School District's outstanding debt included \$8,519,996 of general obligation bonds issued for improvements to buildings and structures and \$36,000 of a bank loan used to purchase the Junior High building. For additional information regarding the School District's debt, refer to Note 8 to the basic financial statements.

Current Issues

There are several large factors that greatly impact the district's financial stability: 1) the State's educational funding, which is hard to determine and dependent upon the legislators, 2) health insurance costs, and 3) the economy.

The passage of the Ohio School Facilities Grant building program levy in November 2002 brings additional material requiring examination. The enlargement/addition of a building means increased operational costs, depending upon the end product, as well as additional personnel costs to maintain the new building sections.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

The Coldwater Exempted Village School District has not anticipated any meaningful growth in State receipts. It is forecasted that the impact of the cost-of-doing-business factor reduction coupled with stable enrollment will have a negative impact on intergovernmental receipts over the next two years. Each biennial budget brings with it a new set of concerns, as public K-12 is impacted by the State's budget adoption.

The Coldwater Exempted Village School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy was passed by the residents of the School District in November 2004, as a continuing operating levy of property tax. No new millage has been passed by the School District residents since 2000.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later, the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, school districts dependence upon property taxes is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. It should be noted FY08 saw, for the most part, the last of the personal tangible tax payments that would flow to the school district with the replacement of that tax with the Commercial Activity Tax (CAT).

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

There are major events occurring worldwide that affect our local district operations: federal spending being redirected (due to security issues and other defense needs), changes in law affecting agriculture (since Mercer County is the top agricultural county in the state), and area manufacturing plant layoffs/shutdowns. The economic impact from any or all of these would cause a reduction or loss of state and/or federal subsidies. Businesses such as Pax Steel, Coldwater Implement, Lefeld Implement, Helena Chemical, Mercer Landmark, Coldwater Grain and other county agricultural groups would certainly feel the fallout from decisions affecting agriculture, which in turn would affect local employment. In addition, the high cost of diesel fuel has directly affected not only transportation cost but also other purchases. Vendors recouping their own manufacturing and transportation costs increases the prices of merchandise sold to schools. This has been kept in mind as management considers the School District's needs and finances for the coming years.

Business for the most part seems to be healthy in the Coldwater area. A large retirement community is now open (Briarwood Village), and other smaller businesses are either building or opening businesses in existing facilities. Upon continuation of current trends, management sees the local economy picking up and recovering from prior years' losses.

Management's vision is for the budgetary process to eventually become driven by the curriculum. This will require additional time by staff and building administrators to be spent on evaluating needs, existing expenses, and consideration of reallocation of spending. This is a commitment to be made by all staff, but management is planning to see a budgetary process established in this manner.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Current Building Issues

As part of the Ohio School Facilities Commission (OSFC) project for renovations and additions, the School District passed a 5.6 mill bond levy and a .5 mill maintenance fund levy in November 2002. The bond levy will run for 28 years while the maintenance fund levy will run for 23 years. An earlier bond issue--called the "90's Program" for renovations and additions finished in 1990--will soon expire at the end of calendar year 2011.

In the fall of 2006, all students of the School District returned to one site. The district had a "learning year" during FY07 as it became accustomed to having operations in the newly-renovated facility in Coldwater. Management determined that earlier projections from utilities were mostly on target for fiscal year 2009 and continued to be on target.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sherry Shaffer, Treasurer of Coldwater Exempted Village School District, 310 North 2nd Street, Coldwater, OH 45828.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011**

	<u>Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,339,461
Total Assets	<u>5,339,461</u>
Net Assets:	
Restricted for:	
Debt Service	1,005,980
Capital Outlay	856,976
Other Purposes	856,476
Unrestricted	<u>2,620,029</u>
Total Net Assets	<u><u>\$5,339,461</u></u>

See accompanying notes to the financial statement.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants Contributions and Interest</u>	<u>Capital Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$7,195,093	\$726,952	\$847,903		(\$5,620,238)
Special	1,555,767	86,529	423,895		(1,045,343)
Vocational Education	816,828		141,701	\$115,924	(559,203)
Support Services:					
Pupil	402,411				(402,411)
Instructional Staff	309,515		6,825		(302,690)
Board of Education	17,757				(17,757)
Administration	1,148,339		105,279		(1,043,060)
Fiscal	345,806				(345,806)
Operation and Maintenance of Plant	1,165,816		60,259	73,889	(1,031,668)
Pupil Transportation	328,938				(328,938)
Central	26,922		5,000		(21,922)
Operation of Non-Instruction Services	35,816				(35,816)
Operation of Food Services	489,492	398,515	128,726		37,749
Extracurricular Activities	614,497	324,605	24,033		(265,859)
Debt Service:					
Principal	477,244				(477,244)
Interest	635,866				(635,866)
Total Governmental Activities	<u>\$15,566,107</u>	<u>\$1,536,601</u>	<u>\$1,743,621</u>	<u>\$189,813</u>	<u>(12,096,072)</u>
General Receipts:					
Property Taxes Levied for:					
					2,853,881
					982,920
					46,644
					635,497
					1,500
					7,359,309
					31,983
					34,136
					31,626
Total General Receipts					<u>11,977,496</u>
Change in Net Assets					(118,576)
Net Assets Beginning of Year - Restated (Note 3)					<u>5,458,037</u>
Net Assets End of Year					<u>\$5,339,461</u>

See accompanying notes to the financial statement.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,620,306	\$1,005,980	\$856,976	\$825,222	\$5,308,484
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>30,977</u>				<u>30,977</u>
Total Assets	<u><u>2,651,283</u></u>	<u><u>1,005,980</u></u>	<u><u>856,976</u></u>	<u><u>825,222</u></u>	<u><u>5,339,461</u></u>
Fund Balances:					
Restricted	208,125	1,005,980	856,976	815,162	2,886,243
Committed	232,653			559	233,212
Assigned	1,306,410			9,501	1,315,911
Unassigned	<u>904,095</u>				<u>904,095</u>
Total Fund Balances	<u><u>\$2,651,283</u></u>	<u><u>\$1,005,980</u></u>	<u><u>\$856,976</u></u>	<u><u>\$825,222</u></u>	<u><u>\$5,339,461</u></u>

See accompanying notes to the financial statement.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Taxes:					
Property and Other Local Taxes	\$2,853,881	\$982,920		\$46,644	\$3,883,445
Income Taxes	635,497				635,497
Intergovernmental	7,390,555	195,913		1,627,442	9,213,910
Interest	34,136			2,642	36,778
Tuition and Fees	708,455			9,654	718,109
Rent	5,526				5,526
Extracurricular Activities	75,256			238,939	314,195
Gifts and Donations	799			8,356	9,155
Customer Sales and Services	100,257			361,372	461,629
Payments in Lieu of Taxes			\$1,500		1,500
Miscellaneous	27,923		115,924	56,370	200,217
Total Receipts	<u>11,832,285</u>	<u>1,178,833</u>	<u>117,424</u>	<u>2,351,419</u>	<u>15,479,961</u>
Disbursements:					
Current:					
Instruction:					
Regular	6,210,793		65,687	918,613	7,195,093
Special	1,240,270			315,497	1,555,767
Vocational	686,747		126,774	3,307	816,828
Support Services:					
Pupils	402,411				402,411
Instructional Staff	308,690			825	309,515
Board of Education	17,757				17,757
Administration	1,026,619		60	121,660	1,148,339
Fiscal	321,234	23,453		1,119	345,806
Operation and Maintenance of Plant	1,022,764		104,702	38,350	1,165,816
Pupil Transportation	320,514		7,755	669	328,938
Central	21,922			5,000	26,922
Operation of Non-Instructional Services	35,816				35,816
Operation of Food Services				489,492	489,492
Extracurricular Activities	356,529			257,968	614,497
Debt Service:					
Principal	35,000	442,244			477,244
Interest	2,408	633,458			635,866
Total Disbursements	<u>12,009,474</u>	<u>1,099,155</u>	<u>304,978</u>	<u>2,152,500</u>	<u>15,566,107</u>
Excess of Receipts Over (Under) Disbursements	<u>(177,189)</u>	<u>79,678</u>	<u>(187,554)</u>	<u>198,919</u>	<u>(86,146)</u>
Other Financing Sources (Uses):					
Transfers In	23		535,714		535,737
Advances In	75,000			49,139	124,139
Proceeds from Sale of Capital Assets	30,011			1,972	31,983
Refund of Prior Year Expenditures	20,460			5,833	26,293
Transfers Out				(535,737)	(535,737)
Advances Out	(49,139)			(75,000)	(124,139)
Refund of Prior Year Receipts				(90,706)	(90,706)
Total Other Financing Sources (Uses)	<u>76,355</u>		<u>535,714</u>	<u>(644,499)</u>	<u>(32,430)</u>
Net Change in Fund Balances	(100,834)	79,678	348,160	(445,580)	(118,576)
Fund Balance at Beginning of Year - Restated (Note 3)	<u>2,752,117</u>	<u>926,302</u>	<u>508,816</u>	<u>1,270,802</u>	<u>5,458,037</u>
Fund Balance at End of Year	<u>\$2,651,283</u>	<u>\$1,005,980</u>	<u>\$856,976</u>	<u>\$825,222</u>	<u>\$5,339,461</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts:				
Property and Other Local Taxes	\$2,795,000	\$2,853,881	\$2,853,881	
Income Taxes	650,000	650,000	635,497	(\$14,503)
Intergovernmental	7,506,000	7,393,980	7,390,555	(3,425)
Interest	30,000	33,500	34,136	636
Tuition and Fees	590,930	712,272	708,455	(3,817)
Rent	10,000	7,000	5,526	(1,474)
Extracurricular Activities	70,000	75,256	75,256	
Gifts and Donations	1,500	1,500	799	(701)
Customer Sales and Services	25,500	100,021	100,257	236
Miscellaneous	1,694	28,194	27,923	(271)
Total Receipts	11,680,624	11,855,604	11,832,285	(23,319)
Disbursements:				
Current:				
Instruction:				
Regular	6,259,678	6,598,508	6,343,000	255,508
Special	1,384,472	1,337,913	1,253,569	84,344
Vocational	775,318	806,409	701,553	104,856
Support Services:				
Pupils	416,332	434,806	406,626	28,180
Instructional Staff	385,682	353,239	319,059	34,180
Board of Education	22,501	22,501	17,757	4,744
Administration	1,102,829	1,127,221	1,049,614	77,607
Fiscal	389,326	389,688	341,767	47,921
Operation and Maintenance of Plant	1,145,255	1,189,537	1,063,052	126,485
Pupil Transportation	337,547	349,500	325,201	24,299
Central	20,676	22,532	21,922	610
Operation of Food Services	500	500	374	126
Extracurricular Activities:				
Academic Oriented Activities	133,503	116,660	112,953	3,707
Sport Oriented Activities	254,455	267,105	243,576	23,529
Capital Outlay:				
Building Acquisition and Construction Services	1,000	1,000	900	100
Repayment of Debt:				
Principal	35,000	35,000	35,000	
Interest	2,408	2,408	2,408	
Total Disbursements	12,666,482	13,054,527	12,238,331	816,196
Excess of Receipts Over (Under) Disbursements	(985,858)	(1,198,923)	(406,046)	792,877
Other Financing Sources (Uses):				
Transfers In		75,902	23	(75,879)
Advances In	70,000	75,000	75,000	
Proceeds from Sale of Capital Assets		29,853	30,011	158
Refund of Prior Year Expenditures		20,460	20,460	
Transfers Out		(75,000)		75,000
Advances Out	(80,000)	(80,000)	(49,139)	30,861
Refund of Prior Year Receipts		(185)		185
Total Other Financing Sources (Uses)	(10,000)	46,030	76,355	30,325
Net Change in Fund Balances	(995,858)	(1,152,893)	(329,691)	823,202
Fund Balance at Beginning of Year	2,589,182	2,589,182	2,589,182	
Prior Year Encumbrances Appropriated	162,935	162,935	162,935	
Fund Balance at End of Year	\$1,756,259	\$1,599,224	\$2,422,426	\$823,202

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$169,527	\$30,713
Investments	23,352	
Total Assets	192,879	30,713
Net Assets:		
Endowment	159,790	
Held in Trust for:		
Scholarships	33,089	
Employees		13,465
Students		17,248
Total Net Assets	\$192,879	\$30,713

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$3,272
Interest	4,940
Total Additions	<u>8,212</u>
Deductions:	
Payments in Accordance with Trust Agreements	8,519
Total Deductions	<u>8,519</u>
Change in Net Assets	(307)
Net Assets - Beginning of Year - Restated (Note 3)	<u>193,186</u>
Net Assets - End of Year	<u><u>\$192,879</u></u>

See accompanying notes to the financial statements.

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in a community within Mercer County, consisting of residences and significant office and retail commercial development. The School District is staffed by 45 non-certificated employees, 96 certificated employees who provide services to 1,435 students and other community members.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Coldwater 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. There are no component units of the Coldwater Exempted Village School District.

The School District is associated with four jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Regional Professional Development Center, Educational Regional Service System Region 6, Mercer County Local Professional Development Committee, OASBO/Sheakley Workers' Compensation Group Rating Plan, and the Mercer-Auglaize Schools Employee Benefits Trust. These organizations are presented in Notes 14 and 15 of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

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

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

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

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

B. Basis of Presentation - Fund Accounting

1. Government-Wide Financial Statements

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

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The Statement of Activities presents a comparison between disbursements and program receipts for each program or function of the School District's governmental activities. Disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general resources of the School District. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

2. Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column. Fiduciary funds are reported by type.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The funds of the financial reporting entity are described below.

3. Governmental Funds/Governmental Activities

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

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Permanent Improvement Fund – This fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as authorized by Chapter 5705, Revised Code.

4. Fiduciary Fund Types

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

C. Budgetary Process

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Tax Budget

On March 17, 2009, the Mercer County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.

2. Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District Treasurer.

3. Appropriations

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

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

4. Encumbrances

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through School District accounting records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

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

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

During 2011, the School District invested in nonnegotiable certificates of deposits, money market accounts and stock.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 were \$34,136, which includes \$17,186 assigned from other School District funds.

E. Restricted Assets

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

Restricted assets in the General Fund include unexpended receipts restricted for budget stabilization.

F. Capital Assets

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

G. Accumulated Leave

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Long-Term Debt

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

I. Intergovernmental Receipts

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

J. Interfund Receivables/Payables

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

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

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements. At June 30, 2011, the General Fund had unpaid interfund cash advances in the amount of \$49,139 for short term loans made to various Special Revenue Funds including Title VI-B, Title I, Title II-A, Learn and Serve and 21st Century Grants.

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Equity Classifications

1. Government-Wide Statements

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets restricted for other purposes include resources restricted for public school support programs, athletic programs, employee termination benefits, classroom facilities and maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

2. Fund Financial Statements

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

- a. **Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. **Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. **Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. **Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Receipts and Disbursements

1. Program Receipts

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

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

2. Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

N. Changes in Accounting Principles

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

3. RESTATEMENT OF FUND BALANCE/NET ASSETS AND COMPLIANCE

For fiscal year 2011, the School District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

The restatement had the following effect on fund balances as of June 30, 2010:

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. RESTATEMENT OF FUND BALANCE/NET ASSETS AND COMPLIANCE (Continued)

	General Fund	Debt Service Fund	Permanent Improvement Fund	All Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$2,374,241	\$926,302	\$508,816	\$1,653,087	\$5,462,446
Change in Fund Structure	377,876			(382,285)	(4,409)
Adjusted Fund Balance at June 30, 2010	<u>\$2,752,117</u>	<u>\$926,302</u>	<u>\$508,816</u>	<u>\$1,270,802</u>	<u>\$5,458,037</u>

The restatement had the following effect on net assets as of June 30, 2010:

	Governmental Activities	Agency	Private Purpose Trust
Net Assets June 30, 2010	\$5,462,446	\$27,332	\$193,438
Change in Fund Structure	(4,409)	4,661	(252)
Adjusted Net Assets at June 30, 2010	<u>\$5,458,057</u>	<u>\$31,993</u>	<u>\$193,186</u>

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of modified cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

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

At fiscal year end, the carrying amount of the School District's deposits was \$5,537,403 and the bank balance was \$5,667,140. Of the bank balance, \$516,763 was covered by federal depository insurance and \$5,150,377 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2011, the School District has \$2,298 in un-deposited cash on hand. This amount is included in cash and cash equivalents.

B. Investments

Investments are reported at carrying value. As of June 30, 2011, the School District owned 600 shares of Dominion stock with a fair value of \$23,352.

C. Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

D. Credit Risk

The School District's investment at June 30, 2011, in Dominion Resources, Inc. is rated A- by Standard & Poor's. The School District's investment policy does not address credit risk.

E. Concentration of Credit Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The Dominion stock is less than 1% of the School District's total portfolio.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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 District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Mercer County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second-Half Collections		2011 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$120,183,110	99.8%	\$123,267,980	97.4%
Public Utility	240,840	0.2	3,250,590	2.6
Total Assessed Value	\$120,423,950	100%	\$126,518,570	100%
Tax rate per \$1,000 of assessed valuation	\$54.58		\$54.48	

6. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all, or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2011 amounted to \$1,500.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. INCOME TAX

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

8. DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2011 consisted of the following:

	<u>Principal Outstanding 6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/11</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
1990 Renovation Bonds Rate 6.87%	\$ 300,000		\$ 50,000	\$ 250,000	\$ 55,000	\$ 195,000
1993 Refinance Bonds Rate 2.6 – 5.5%	87,244		87,244			
2002 Ohio School Facility Construction Project Bonds Rate 4.4%	7,784,996		280,000	7,504,996	290,000	7,214,996
2010 Refunding Bonds Rate 1.10 – 6.08%	790,000		25,000	765,000	410,000	355,000
Junior High Loan Rate 4.5%	71,000		35,000	36,000	36,000	
Total Debt Obligation	<u>\$9,033,240</u>	<u>\$0</u>	<u>\$477,244</u>	<u>\$8,555,996</u>	<u>\$791,000</u>	<u>\$7,764,996</u>

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

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

On April 23, 2010, the School District issued \$790,000 in voted general obligation bonds to provide resources to purchase U.S. Government securities that were placed, along with the premiums received associated with the sale of the bonds in an escrow funds for the purpose of generating resources for future debt service payments of \$790,000 of the 1993 Refinance Addition Bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEBT OBLIGATIONS (Continued)

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

2002 School Facilities Construction and Improvement Bonds Redemption Provisions:

Current Interest Term bonds maturing December 1, 2027 are subject to mandatory sinking fund redemption at 100% of principal, plus accrued interest to the date of redemption, on December 1, 2023, and on each December 1 thereafter. The remaining principal (\$500,000) will be paid at stated maturity on December 1, 2027.

Current Interest Term Bonds maturing on December 1, 2030 are subject to mandatory sinking fund redemption at 100% of principal, plus accrued interest to the date of redemption, on December 1, 2028 and 2029. The remaining principal amount (\$575,000) will be paid at stated maturity on December 1, 2030.

The Current Interest Bonds maturing after December 1, 2013 are subject to redemption at the option of the School District, either in whole or in part at 100% of the principal amount plus accrued interest to the date fixed for redemption.

Interest on the Capital Appreciation Bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (Interest Accretion dates) but will be payable at maturity. The Capital Appreciation Bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$620,000. The accreted amount for fiscal year 2011 was \$21,781, and the amount of the bonds outstanding including accreted interest at June 30, 2011 is \$549,665.

2010 School Improvement Refunding Bonds – On April 23, 2010, the School District issued \$790,000 in current interest serial bonds and capital appreciation bonds and for the purpose of advance refunding a portion of the 1993 Refinance Addition Bonds. The bonds were issued with final maturity during fiscal year 2013. The debt will be retired with a voted property tax levy from the debt service fund.

2010 School Improvement Bonds redemption provisions:

The Current Interest Bonds maturing December 1, 2011 and 2012 may be subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption.

Interest on the Capital Appreciation Bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (Interest Accretion dates) but will be payable at maturity. The Capital Appreciation Bonds will mature in fiscal year 2013. The maturity amount of the bonds is \$415,000. The accreted amount for fiscal year 2011 was \$22,070, and the amount of the bonds outstanding including accreted interest at June 30, 2011 is \$379,377.

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEBT OBLIGATIONS (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2011 are as follows:

Fiscal Year Ending June 30,	1990 Bonds Principal	2002 Bonds Principal	2010 Bonds Principal	Junior High Loan Principal	Interest	Total
2012	\$ 55,000	\$ 290,000	\$410,000	\$36,000	\$ 326,165	\$ 1,117,165
2013	60,000	300,000	355,000		369,557	1,084,557
2014	65,000	74,648			535,661	675,309
2015	70,000	65,348			540,321	675,669
2016		310,000			287,683	597,683
2017-2021		1,725,000			1,249,987	2,974,987
2022-2026		2,110,000			854,732	2,964,732
2027-2031		2,630,000			314,948	2,944,948
Total	<u>\$250,000</u>	<u>\$7,504,996</u>	<u>\$765,000</u>	<u>\$36,000</u>	<u>\$4,479,054</u>	<u>\$13,035,050</u>

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2011, the School District carried property and general liability insurance and boiler and machinery insurance.

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

Commercial property is covered by the Indiana Insurance Company. Commercial property is insured at a limit of \$54,171,425 (increased with new presentation of statement of values each fall). Commercial auto insurance is covered by the Indiana Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. There has been no significant reduction in insurance coverage from fiscal year 2010, and no insurance settlement has exceeded insurance coverage during the last three years.

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

B. Health Care Benefits

The School District participates in the Mercer/Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental benefits. The Trust is responsible for the management and operations of the program.

Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. RISK MANAGEMENT (Continued)

C. Workers' Compensation

The School District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. 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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2010 (latest information available), plan members were required to contribute 10 percent of their annual covered salaries. For fiscal year 2010 (the latest information available), the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$862,169, \$850,029, and \$823,263, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2010, (the latest information available) were \$12,664 made by the School District and \$17,729 made by the plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. For fiscal year 2011, it was determined the employer contribution rate to pension and death benefits to be 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$161,855, \$122,358, \$118,546, respectively; 38 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST EMPLOYMENT BENEFITS

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

A. State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, one percent of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for post employment health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$66,321, \$64,652, and \$63,328, respectively; 83 percent has been contributed for fiscal year 2011, and 100 percent for fiscal years 2010 and 2009.

B. School Employment Retirement System

Medicare Part B Plan

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans: the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76 percent. The School District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$10,416, \$8,816, and \$8,541, respectively, which equaled the required contributions each year.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. POST EMPLOYMENT BENEFITS (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43 percent.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution note is the total amount assigned to the Health Care Fund. The School District's contributions for the years ended June 30, 2011, 2010 and 2008 were \$19,598, \$55,836, and \$54,096, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

12. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. FUND BALANCE (Continued)

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:					
Permanent Improvements			\$856,976	\$488,262	\$1,345,238
Unclaimed Monies	\$ 277				277
Food Service Operations				158,816	158,816
Budget Reserve	173,977				173,977
Debt Retirement		\$1,005,980			1,005,980
Extracurricular Activities				96,558	96,558
Special Education				8,628	8,628
School Supplies	33,871				33,871
Network Connectivity				6,000	6,000
Learning Opportunities				17,950	17,950
Teacher Quality Improvement				5,005	5,005
After School Program				21,547	21,547
Vocational Training				5,434	5,434
Race To The Top				6,962	6,962
Total Restricted	<u>208,125</u>	<u>1,005,980</u>	<u>856,976</u>	<u>815,162</u>	<u>2,886,243</u>
Committed to:					
Future Severance Payments	217,316				217,316
Public School Support	15,337			559	15,896
Total Committed	<u>232,653</u>			<u>559</u>	<u>233,212</u>
Assigned for:					
Textbooks and Capital Set Asides	1,302,408				1,302,408
Educational Activities	4,002			9,501	13,503
Total Assigned	<u>1,306,410</u>			<u>9,501</u>	<u>1,315,911</u>
Unassigned	904,095				904,095
Total Fund Balance	<u>\$2,651,283</u>	<u>\$1,005,980</u>	<u>\$856,976</u>	<u>\$825,222</u>	<u>\$5,339,461</u>

13. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbo ok Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2010	(\$30,734)		\$30,977
Required Set-Aside	222,341	\$222,341	
Current Year Offsets (Not Available for Carry Forward)		(175,697)	
Qualifying Disbursements	(206,349)	(46,644)	
Total	<u>(14,742)</u>	<u>\$ 0</u>	<u>30,977</u>
Set-Aside Balance Carried Forward to FY 2011	<u>(\$14,742)</u>		<u>\$30,977</u>

The School District had qualifying disbursements during the year that reduced the Textbook set-aside amount to below zero. Ohio Revised Code Section 3315.17 allows for the extra amount to carry over into future years for textbooks. The Budget Stabilization set-aside above represents the portion designated from workers compensation refunds. The Board has designated an additional \$143,000 for budget stabilization.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

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

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

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

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

Educational Regional Service System Region 6 (ERSS) - The School District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities with the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts.

The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region) and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

15. GROUP PURCHASING POOL

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

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

16. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor-restricted endowments. Net Assets - Endowments of \$159,790 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for disbursement by the governing body is \$33,089 and is included as net assets held in trust for scholarships. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

17. CONTINGENCIES

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

18. INTERFUND TRANSFERS

During fiscal year 2011, the School District made the following transfers between funds:

Governmental:	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund	\$ 23	
All Other Governmental Funds	535,714	\$535,737
Total Governmental Funds	<u>\$535,737</u>	<u>\$535,737</u>

During fiscal year 2011, the School District transferred \$23 from the Adult Education Fund to the General Fund due to the closing of that fund. The School District transferred \$411,570 and \$124,144 from the Ohio School Facilities Commission Fund and the Ohio School Facilities Commission Local Share Fund, respectively, to the Permanent Improvement Fund to cover operation and maintenance expenditures.

19. INTERFUND ADVANCES

During fiscal year 2011, the School District made advances between funds as follows:

Governmental:	<u>Advances-In</u>	<u>Advances-Out</u>
General Fund	\$ 75,000	\$ 49,139
All Other Governmental Funds	49,139	75,000
Total Governmental	<u>\$124,139</u>	<u>\$124,139</u>

Of the total \$124,139 advances during fiscal year 2011, \$75,000 represents amounts that were repayments of advances made by the General Fund during fiscal year 2010. The \$49,139 represents advances made by the General Fund during fiscal year 2011 to cover general operations of grant funds which are intended to be repaid in the subsequent fiscal year.

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
FOR YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Cash Assistance:						
School Breakfast Program		10.553	\$4,726		\$4,726	
Non-Cash Assistance (food distribution)						
National School Lunch Program		10.555		\$63,464		\$63,464
Cash Assistance:						
National School Lunch Program		10.555	121,991		121,991	
Total National School Lunch Program			<u>126,717</u>	<u>63,464</u>	<u>126,717</u>	<u>63,464</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>126,717</u>	<u>63,464</u>	<u>126,717</u>	<u>63,464</u>
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through Ohio Department of Education)</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States	2011	84.027	258,307		259,678	
Special Education Grants to States, Recovery Act	2011	84.391	131,508		131,508	
	2010		5,833		11,666	
Total Special Education Grants to States, Recovery Act			<u>137,341</u>		<u>143,174</u>	
Total Special Education Cluster			<u>395,648</u>		<u>402,852</u>	
Title I Cluster:						
Title I Grants to Local Educational Agencies	2011	84.010	105,846		105,846	
	2010	84.010	8,385		8,385	
Title I Grants to Local Educational Agencies, Recovery Act	2011	84.389			6,909	
Total Title I Cluster			<u>114,231</u>		<u>121,140</u>	
Education Technology State Grant	2011	84.318	353		353	
	2010				227	
Total Education Technology State Grant			<u>353</u>		<u>580</u>	
Improving Teacher Quality State Grant	2011	84.367	45,645		45,640	
	2010		13,087		8,087	
Total Improving Teacher Quality State Grant			<u>58,732</u>		<u>53,727</u>	
Education Jobs Fund	2011	84.410	20,000		20,000	
Twenty-First Century Community Learning Center	2011	84.287	118,214		127,493	
	2010		37,465		13,868	
Total Twenty-First Century Community Learning Center			<u>155,679</u>		<u>141,361</u>	
State Fiscal Stabilization Fund (SFSF) - Education State Grant, Recovery Act	2011	84.394	546,424		546,424	
State Fiscal Stabilization Fund (SFSF) - Race-to - Top Incentive Grant - Recovery Act	2011	84.395	29,125		22,159	
Total U.S. Department of Education			<u>1,320,192</u>		<u>1,308,243</u>	
Corporation for National and Community Service: <i>(Passed through Ohio Department of Education)</i>						
Learn and Service America - School & Community Based Programs	2011	94.004	15,000		15,000	
Total Corporation for National and Community Service			<u>15,000</u>		<u>15,000</u>	
Total Federal Assistance			<u>\$1,461,909</u>	<u>\$63,464</u>	<u>\$1,449,960</u>	<u>\$63,464</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 10, 2011, wherein we noted the District adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District management in a separate letter dated August 10, 2011.

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

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



Dave Yost
Auditor of State

August 10, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Coldwater Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Coldwater Exempted Village School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Coldwater Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We noted a certain matter not required inclusion in this report that we reported to the District's management in a separate letter dated August 10, 2011.

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



Dave Yost
Auditor of State

August 10, 2011

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 84.027 Special Education Grants to States CFDA# 84.391 Special Education Grants to States, Recovery Act CFDA# 84.394 - State Fiscal Stabilization Fund (SFSF) – Education State Grant, Recovery Act
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Non-Compliance Financial Reporting

Finding Number	2011-001
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NONCOMPLIANCE

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

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

The District should prepare its annual financial statements in accordance with generally accepted accounting principles that include assets, liabilities and the disclosures required to accurately present the District's financial condition.

Official's Response:

On August 26, 2003, the School District Board passed a resolution stating that due to audit cost concerns the School District would no longer prepare GAAP financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 117.38 and OAC 117-2-03 (B) – Preparation and filing of cash basis annual financial report.	No	Repeated as finding 2011-001

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Coldwater Exempted Village School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 14, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board 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 "Dave Yost".

Dave Yost
Auditor of State

August 10, 2011

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Dave Yost • Auditor of State

COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 13, 2011**