

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009**





# Dave Yost • Auditor of State

Members of Council  
Village of Coldwater  
610 West Sycamore Street  
Coldwater, Ohio 45828

We have reviewed the *Independent Auditors' Report* of the Village of Coldwater, Mercer County, prepared by Bastin & Company, LLC, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Coldwater is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

August 30, 2011

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**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO**

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# Bastin & Company, LLC

*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Members of Village Council  
Village of Coldwater, Ohio

We have audited the accompanying financial statements of the Village of Coldwater, Mercer County, Ohio, (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require the Village to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or their changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2011, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
June 22, 2011

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Taxes and Other Local Taxes	\$ 1,477,583	\$ 192,998	\$ -	\$ -	\$ 1,670,581
Intergovernmental Receipts	564,412	715,763	-	-	1,280,175
Special Assessments	-	-	5,005	-	5,005
Charges for Services	33,871	221,095	-	7,215	262,181
Licenses, Permits and Fees	25,266	1,219	-	-	26,485
Fines and Forfeitures	-	3,476	-	-	3,476
Earnings on Investments	789	30	-	324	1,143
Miscellaneous	16,904	100	-	-	17,004
<b>Total Cash Receipts</b>	<b>2,118,825</b>	<b>1,134,681</b>	<b>5,005</b>	<b>7,539</b>	<b>3,266,050</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	624,689	86,586	-	-	711,275
Public Health Services	21,765	-	-	-	21,765
Transportation	-	580,562	-	-	580,562
General Government	364,655	16,847	-	5,695	387,197
Capital Outlay	1,821	842,742	5,000	98,953	948,516
Debt Service:					
Principal Payments	9,646	33,163	400,000	-	442,809
Interest Payments	246	240	109,619	-	110,105
<b>Total Cash Disbursements</b>	<b>1,022,822</b>	<b>1,560,140</b>	<b>514,619</b>	<b>104,648</b>	<b>3,202,229</b>
<b>Total Receipts Over (Under) Disbursements</b>	<b>1,096,003</b>	<b>(425,459)</b>	<b>(509,614)</b>	<b>(97,109)</b>	<b>63,821</b>
<b>Other Financing Receipts (Disbursements):</b>					
Sale of Fixed Assets	-	-	-	4,555	4,555
Transfers-In	-	420,326	390,583	450,000	1,260,909
Transfers-Out	(1,058,230)	(100,000)	-	(68,679)	(1,226,909)
Advances Out	-	-	-	(144,400)	(144,400)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(1,058,230)</b>	<b>320,326</b>	<b>390,583</b>	<b>241,476</b>	<b>(105,845)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>	<b>37,773</b>	<b>(105,133)</b>	<b>(119,031)</b>	<b>144,367</b>	<b>(42,024)</b>
<b>Fund Cash Balances, January 1</b>	<b>120,226</b>	<b>24,803</b>	<b>242,742</b>	<b>25,964</b>	<b>413,735</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 157,999</b>	<b>\$ (80,330)</b>	<b>\$ 123,711</b>	<b>\$ 170,331</b>	<b>\$ 371,711</b>

The notes to the financial statements are an integral part of this statement.



**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 1,145,662	\$ 226,700	\$ -	\$ 1,372,362
Miscellaneous	44,039	-	-	44,039
Total Operating Cash Receipts	<u>1,189,701</u>	<u>226,700</u>	<u>-</u>	<u>1,416,401</u>
<b>Operating Cash Disbursements:</b>				
Personnel Services	349,618	177,492	-	527,110
Employee Fringe Benefits	123,928	-	-	123,928
Contractual Services	306,118	-	-	306,118
Materials and Supplies	195,781	-	-	195,781
Total Operating Cash Disbursements	<u>975,445</u>	<u>177,492</u>	<u>-</u>	<u>1,152,937</u>
Operating Income	<u>214,256</u>	<u>49,208</u>	<u>-</u>	<u>263,464</u>
<b>Non-Operating Cash Receipts:</b>				
Special Assessments	4,373	-	-	4,373
Earnings on Investments	1,754	-	-	1,754
Other Non-Operating Receipts	-	-	36,067	36,067
Total Non-Operating Cash Receipts	<u>6,127</u>	<u>-</u>	<u>36,067</u>	<u>42,194</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Principal Payments	60,539	-	-	60,539
Debt Interest Payments	449	-	-	449
Capital Outlay	216,901	-	-	216,901
Other Non-Operating Disbursements	-	-	35,827	35,827
Total Non-Operating Cash Disbursements	<u>277,889</u>	<u>-</u>	<u>35,827</u>	<u>313,716</u>
Excess of Cash Receipts Over (Under) Cash Disbursements before Interfund Transfers	(57,506)	49,208	240	(8,058)
Transfers-In	183,000	-	-	183,000
Advances-In	144,400	39,150	-	183,550
Transfers-Out	(217,000)	-	-	(217,000)
Advances Out	(39,150)	-	-	(39,150)
Net Cash Receipts Over (Under) Cash Disbursements	13,744	88,358	240	102,342
Fund Cash Balances, January 1	<u>640</u>	<u>105,226</u>	<u>87</u>	<u>105,953</u>
Fund Cash Balances, December 31	<u>\$ 14,384</u>	<u>\$ 193,584</u>	<u>\$ 327</u>	<u>\$ 208,295</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Taxes and Other Local Taxes	\$ 1,432,125	\$ 215,413	\$ -	\$ -	\$ 1,647,538
Intergovernmental Receipts	461,527	610,314	-	-	1,071,841
Special Assessments	-	-	5,650	5,541	11,191
Charges for Services	38,646	84,267	-	-	122,913
Licenses, Permits and Fees	10,466	655	-	-	11,121
Fines and Forfeitures	-	694	-	-	694
Earnings on Investments	4,164	50	-	932	5,146
Miscellaneous	4,387	-	-	-	4,387
<b>Total Cash Receipts</b>	<b>1,951,315</b>	<b>911,393</b>	<b>5,650</b>	<b>6,473</b>	<b>2,874,831</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	574,862	130,425	-	-	705,287
Public Health Services	21,765	-	-	-	21,765
Transportation	-	532,555	-	-	532,555
General Government	373,883	17,989	-	5,909	397,781
Capital Outlay	37,520	952,412	16,596	364,506	1,371,034
Debt Service:					
Principal Payments	9,479	95,764	385,000	12,500	502,743
Interest Payments	761	2,299	114,963	1,402	119,425
<b>Total Cash Disbursements</b>	<b>1,018,270</b>	<b>1,731,444</b>	<b>516,559</b>	<b>384,317</b>	<b>3,650,590</b>
<b>Total Receipts Over (Under) Disbursements</b>	<b>933,045</b>	<b>(820,051)</b>	<b>(510,909)</b>	<b>(377,844)</b>	<b>(775,759)</b>
<b>Other Financing Receipts (Disbursements):</b>					
Debt Proceeds	26,000	357,900	19,938	352,062	755,900
Bond Issuance Costs	-	-	-	(2,062)	(2,062)
Transfers-In	-	653,600	722,705	196,000	1,572,305
Transfers-Out	(948,908)	(150,000)	-	(298,000)	(1,396,908)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(922,908)</b>	<b>861,500</b>	<b>742,643</b>	<b>248,000</b>	<b>929,235</b>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	10,137	41,449	231,734	(129,844)	153,476
Fund Cash Balances, January 1	110,089	(16,646)	11,008	155,808	260,259
Fund Cash Balances, December 31	<u>\$ 120,226</u>	<u>\$ 24,803</u>	<u>\$ 242,742</u>	<u>\$ 25,964</u>	<u>\$ 413,735</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$ 1,059,946	\$ 230,000	\$ -	\$ 1,289,946
Miscellaneous	55,837	-	-	55,837
Total Operating Cash Receipts	<u>1,115,783</u>	<u>230,000</u>	<u>-</u>	<u>1,345,783</u>
<b>Operating Cash Disbursements:</b>				
Personnel Services	343,489	226,080	-	569,569
Employee Fringe Benefits	119,731	-	-	119,731
Contractual Services	142,700	-	-	142,700
Materials and Supplies	239,698	-	-	239,698
Total Operating Cash Disbursements	<u>845,618</u>	<u>226,080</u>	<u>-</u>	<u>1,071,698</u>
Operating Income	<u>270,165</u>	<u>3,920</u>	<u>-</u>	<u>274,085</u>
<b>Non-Operating Cash Receipts:</b>				
Earnings on Investments	4,290	-	-	4,290
Other Non-Operating Receipts	-	-	13,766	13,766
Total Non-Operating Cash Receipts	<u>4,290</u>	<u>-</u>	<u>13,766</u>	<u>18,056</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Principal Payments	47,419	-	-	47,419
Debt Interest Payments	1,068	-	-	1,068
Capital Outlay	90,557	-	-	90,557
Other Non-Operating Disbursements	-	-	13,679	13,679
Total Non-Operating Cash Disbursements	<u>139,044</u>	<u>-</u>	<u>13,679</u>	<u>152,723</u>
Excess of Cash Receipts Over (Under)				
Cash Disbursements before Interfund Transfers	135,411	3,920	87	139,418
Transfers-In	191,100	-	-	191,100
Advances-In	39,150	-	-	39,150
Transfers-Out	(366,497)	-	-	(366,497)
Advances Out	-	(39,150)	-	(39,150)
Net Cash Receipts Over (Under) Cash Disbursements	<u>(836)</u>	<u>(35,230)</u>	<u>87</u>	<u>(35,979)</u>
Fund Cash Balances, January 1	<u>1,476</u>	<u>140,456</u>	<u>-</u>	<u>141,932</u>
Fund Cash Balances, December 31	<u>\$ 640</u>	<u>\$ 105,226</u>	<u>\$ 87</u>	<u>\$ 105,953</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Coldwater, Mercer County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected, six-member Council directs the Village. The Village provides general governmental services, including public safety, health, recreation, street maintenance, water and sewer facilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments, if owned by the Village, 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 disbursements, respectively.

During the period January 1, 2009 through December 31, 2010, the Village had investments with STAR Ohio. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

*State Highway Improvement Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing state highways within the Village.

*Fire Levy Fund* - This fund receives property taxes levied on real estate and personal property on Butler Township and Coldwater property for the purpose of providing funds for the operation of the fire department.

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

*General Obligation Bond Retirement Fund* - This fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest and related costs.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

*Industrial Development Fund* - This fund is for the purchase, operation and further development of the Village Industrial Park.

*Fire Capital Fund* - This fund was established for the purchase of fire equipment for the volunteer fire department.

**5. Proprietary Funds**

These funds account for operations that are similar to private sector enterprises where management intends that the significant costs of providing certain goods and services will be recovered through user charges. The Village had the following Proprietary Fund Types:

**Enterprise Funds**

Enterprise Funds are used to account for any activity for which a fee is charged to external users for goods or services. The Village had the following significant Enterprise Funds:

*Water Revenue Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Revenue Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

*Park Operations Fund* - This fund is used to account for the costs associated with operating the municipal park system within the Village.

**Internal Service Fund**

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency of the Village on a cost-reimbursement basis. The Village had the following Internal Service Fund:

*Employee Insurance Fund* - This fund is used to account for the costs associated with employee health insurance plan for the Village.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

*Mayors Court Agency Fund* - This fund is used to account for the collection and distribution of Mayor's Court fines, fees and bonds.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**F. Property, Plant and Equipment**

The Village records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

<b>Deposits:</b>	2010	2009
Demand deposits	\$ 237,689	\$ 208,158
Total deposits	237,689	208,158
<b>Investments:</b>		
Special assessment bonds	12,922	17,494
Star Ohio	329,395	294,036
Total investments	342,317	311,530
Total deposits and investments	\$ 580,006	\$ 519,688

**Deposits:**

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution’s public entity deposit pool.

**Investments:**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Special assessment bonds represent various special assessment bond issues that were purchased and held by the Village.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,975,961	\$ 2,118,825	\$ 142,864
Special Revenue	1,671,479	1,555,007	(116,472)
Debt Service	272,377	395,588	123,211
Capital Projects	292,086	462,094	170,008
Enterprise	1,549,740	1,523,228	(26,512)
Internal Service	72,274	265,850	193,576
Total	\$ 5,833,917	\$ 6,320,592	\$ 486,675

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,096,187	\$ 2,081,052	\$ 15,135
Special Revenue	1,689,495	1,660,140	29,355
Debt Service	514,619	514,619	-
Capital Projects	318,050	317,727	323
Enterprise	1,511,230	1,509,484	1,746
Internal Service	177,500	177,492	8
Total	\$ 6,307,081	\$ 6,260,514	\$ 46,567

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,926,854	\$ 1,977,315	\$ 50,461
Special Revenue	1,940,934	1,922,893	(18,041)
Debt Service	505,585	748,293	242,708
Capital Projects	534,462	554,535	20,073
Enterprise	1,685,100	1,350,323	(334,777)
Internal Service	302,956	230,000	(72,956)
Total	\$ 6,895,891	\$ 6,783,359	\$ (112,532)



**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,968,498	\$ 1,967,178	\$ 1,320
Special Revenue	1,910,341	1,881,444	28,897
Debt Service	516,559	516,559	-
Capital Projects	684,392	684,379	13
Enterprise	1,351,980	1,351,159	821
Internal Service	265,230	265,230	-
Total	\$ 6,697,000	\$ 6,665,949	\$ 31,051

**4. COMPLIANCE**

Contrary to Ohio Revised Code Section 5705.10, the Village had a deficit cash balance of \$135,338 in the Special Revenue, Street Maintenance and Repair Fund as of December 31, 2010. In addition, contrary to Ohio Revised Code, Section 5705.36 (A)(4), a reduced amended certificate of estimated resources was not obtained when actual resources were known to be less than those that had been previously estimated in three funds for 2010 and four funds for 2009.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**6. LOCAL EARNINGS TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Proceeds of the tax are credited to the General Fund.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Obligation Bonds Series 2005	\$ 1,885,000	3.75% to 4.25%
General Purpose Obligation Bonds	215,000	1.2% to 3.55%
General Obligation Bonds 2009A Series	260,000	3.00% to 3.50%
Ohio Public Works Loan-Mill Street Project	283,100	0.00%
Ohio Public Works Loan-Water Treatment Plant	362,500	0.00%
Ohio Public Works Loan-NW Sanitary Sewer	96,662	0.00%
Ohio Public Works Loan-Hardin Creek	75,000	0.00%
Ohio Public Works Loan-Main Street	20,000	0.00%
Special Assessment Bonds	12,922	3.00 to 5.50%
Total	<u>\$ 3,210,184</u>	

During 2009 the Village received an interest free loan from the Ohio Public Works Commission totaling \$298,000 for the Mill Street project. The loan requires semi-annual payments of \$7,450 through 2030 beginning July 1, 2010. Principal retirements during 2010 amounted to \$14,900.

During 2009 the Village issued \$420,000 General Obligation Bonds Series 2009A. Proceeds from the bonds were used to purchase a fire truck, police car, and maintenance truck. Principal retirements during 2010 and 2009 were \$80,000 and \$80,000, respectively.

During 2005 the Village issued \$2,400,000 Various Purpose General Obligation Bonds Series 2005. Proceeds from the bonds were used to retire the \$1,850,000 Water System Improvement Bond Note, a Municipal Center General Obligation Note and a \$55,000 Bulldozer General Obligation Note with the balance of proceeds used for various purposes. Principal retirements during 2010 and 2009 were \$110,000 and \$105,000, respectively.

During 2003 the Village issued \$1,755,000 General Purpose Obligation Bonds. Proceeds from the bonds were used to retire \$1,420,000 of General Purpose Obligation Bonds originally issued in 1991 for the construction of a new wastewater treatment plant. Proceeds were also used for the purchase of the Village's Municipal Building. Principal retirements during 2010 and 2009 amounted to \$210,000 and \$200,000, respectively.

During 2005 the Village received an interest free loan from the Ohio Public Works Commission totaling \$500,000 for the replacement of the water treatment plant. The loan requires semi-annual payments of \$12,500 through 2025. Principal retirements during 2010 and 2009 amounted to \$25,000 and \$25,000, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$154,660 for the Northwest Sanitary Sewer Trunk project. The loan requires semi-annual payments of \$3,867 through 2023. Principal retirements during 2010 and 2009 amounted to \$7,733 and \$7,733, respectively.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

During 1997 the Village received an interest free loan from the Ohio Public Works Commission totaling \$250,000 for the Hardin Creek Water Line Improvement project. The loan requires semi-annual payments of \$6,250 through 2016. Principal retirements during 2010 and 2009 amounted to \$12,500 and \$12,500, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$80,000 for the Main Street Reconstruction project. The loan requires semi-annual payments of \$4,000 through 2013. Principal retirements during 2010 and 2009 amounted to \$8,000 and \$8,000, respectively.

In prior years the Village issued several separate special assessment bonds that bear interest rates from 3.0 to 5.5 percent for various sidewalk, street and downtown improvement projects. Principal retirements on all special assessment bonds during 2010 and 2009 totaled \$4,572 and \$4,573, respectively.

Amortization of the above debt, including interest, is scheduled as follows:

Year	General Obligation Bonds Series 2009A	Various Purpose Obligation Bonds Series 2005	General Purpose Obligation Bonds	OPWC Loans	Special Assessments
2011	\$93,463	\$190,144	\$ 222,632	\$ 68,133	\$ 3,231
2012	90,700	191,018	-	68,133	3,231
2013	93,150	196,419	-	64,133	3,230
2014	-	191,419	-	60,133	3,230
2015	-	191,419	-	60,133	-
2016-2020	-	808,794	-	250,665	-
2021-2025	-	802,713	-	206,332	-
2026-2030	-	-	-	59,600	-
<b>Total</b>	<b>\$ 277,313</b>	<b>\$ 2,571,926</b>	<b>\$ 222,632</b>	<b>\$ 837,262</b>	<b>\$ 12,922</b>

In addition to the above, the Village issued and retired a short term financing note of \$37,900 in the Street Maintenance and Repair Fund during 2009.

**8. CAPITAL LEASES**

During 2008, the Village entered into a capital lease for a dump truck in the amount of \$89,000.

A total of \$30,643 and \$29,456 of principle due on the lease was retired during 2010 & 2009 respectively. Amortization of the remaining lease, including interest at 3.90% is scheduled as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2011	<u>\$5,251</u>
Total minimum lease payments	5,251
Less: amount representing interest	<u>(26)</u>
Present value of future minimum lease payments	<u>\$5,225</u>

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**9. INTERFUND TRANSACTIONS**

The Village had the following interfund transactions:

<u>Fund Type/Fund</u>	<u>Year Ended December 31,</u> <u>2010</u>		<u>Year Ended December 31,</u> <u>2009</u>	
	<u>Transfer-In</u>	<u>Transfer-Out</u>	<u>Transfer-In</u>	<u>Transfer-Out</u>
General Fund	\$ -	\$1,058,230	\$ -	\$948,908
Special Revenue Funds:				
Street Maintenance and Repair	408,600	-	637,600	-
Tree Commission	11,200	-	16,000	-
Fire Levy	-	100,000	-	150,000
Police Block Grant Fund	526	-	-	-
Debt Service Funds:				
General Bond Retirement	390,583	-	722,705	-
Special Assessment Bond Retirement	-	-	-	-
Capital Projects Funds:				
Hardin Creek Improvement Fund	-	-	12,500	-
Fire Debt Capital Fund	100,000	68,679	150,000	298,000
Industrial Park Fund	350,000	-	33,500	-
Enterprise funds:				
Sewer	28,000	-	18,000	-
Water Improvement	-	80,000	-	170,193
Sewer Improvement	-	137,000	-	183,804
Storm Sewer	-	-	21,000	12,500
Parks	155,000	-	152,100	-
Total	<u>\$1,443,909</u>	<u>\$1,443,909</u>	<u>\$1,763,405</u>	<u>\$1,763,405</u>

Transfers from the General Fund to other funds were made for the retirement of debt or to provide operating funds as needed. Transfers from the Special Revenue Fund were made to a Capital Project Fund established to accumulate funds designated for a fire department capital item purchase. Transfers from the Capital Project Funds and Enterprise Funds were made to fund the respective fund's portion of debt service.

**10. RETIREMENT SYSTEMS**

The Village's full time law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10.1 percent of their wages. The Village contributed an amount equal to 19.5 percent and percent of covered payroll for full time police officers. For 2010 and 2009, OPERS' members contributed 10 percent of their wages and the Village contributed an amount equal to 14 percent of covered payroll. The Village has paid all contributions required through December 31, 2010.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**11. RISK MANAGEMENT**

**Ohio Government Risk Management Plan**

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Government participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Government does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2009 OPRM</u>	<u>2009 OPHC</u>	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$ 6,323,701</u>	<u>\$ 105,185</u>	<u>\$ 6,428,886</u>	<u>\$ 5,184,333</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Self Insurance**

The Village provides health insurance, dental insurance, vision, and prescription drug coverage to full-time employees through its own self-insurance program administered by Preferred Insurance Center. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on the cost per employee.

# Bastin & Company, LLC

*Certified Public Accountants*

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Members of Village Council  
Village of Coldwater, Ohio

We have audited the financial statements of the Village of Coldwater, Mercer County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 22, 2011, wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as 2010-01 to be a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2010-02 and 2010-03.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

*Bastin & Company, LLC*

Cincinnati, Ohio  
June 22, 2011



**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

**Finding Number 2010-01 – Audit Adjustments**

During the course of our audit, we identified misstatements in the financial statements that were not initially identified by the Village's internal control. Audit adjustments were necessary to correct errors in the Village's financial statements provided for audit. A description of the significant adjustments, by area, follows:

**Debt Retirements** – Reclassification adjustments for the payment of principal and interest on the Village's debt issues were made for transactions recorded as capital outlay expenditures. Adjustments for 2010 and 2009 totaling \$156,028 and \$409,069 respectively, were made to properly record debt related expenditures

**Transfers** – Transfers in and out were recorded in order to reimburse funds for project costs applicable to various funds. These transactions should be properly recorded as functional expenditures instead of transfers out and a reduction to functional expenditures in the funds recording the transfer in. For 2010 and 2009 a total of \$2,943,818 and \$4,014,048 respectively, of recorded transfers were reclassified to proper functional line items.

**Grant Proceeds** – The Village received grants from the Ohio Public Works Commission. While these grants are administered and paid directly to vendors by OPWC, the activity should be reflected as activities of the Village. Adjustments for 2010 and 2009 totaling \$460,998 and \$297,000 respectively, were made to properly record these grant activities.

**Village Owned Assessment Debt** – The Village owns several special assessment bonds, which they issued. These items are considered as investments owned by the Village and are included on the Village's accounting records and monthly bank reconciliations at a value of \$48,576. The retirement of these debts and the related decrease in the investment balances have not been recorded by the Village over the past several years. As a result, as of December 31, 2010 the Village's recorded cash balance in the General Fund is overstated by \$35,654. Adjustments have been made to reflect unrecorded prior year amounts as well as retired amounts for 2010 and 2009.

The presentation of materially correct financial statements is the responsibility of management. We recommend that the Authority implement control procedures to ensure that financial statements are properly presented.

**Village's Response**

The Village will attempt to more closely monitor the proper recording of transactions in the future.

**Finding Number 2010-02 – Deficit Cash Balance**

Ohio Revised Code Section 5705.10 provides that money paid into any fund shall be used only for purposes for which such fund is established. As of December 31, 2010, the Village had a deficit cash balance of \$135,338 in the Street Maintenance and Repair Fund. A deficit cash balance indicates money from other funds have been used to pay the obligations of the Street Maintenance and Repair Fund.

**Village’s Response**

The negative balance is a result of anticipating a receipt coming into the fund by year end. Subsequent to year end the fund returned to a positive balance.

**Finding Number 2010-03 – Budgetary Compliance**

Ohio Revised Code Section 5705.36(A)(4) requires that when it is known that actual resources will be less than currently estimated resources, and the deficiency will reduce available resources below the current level of appropriation, an amended certificate of estimated resources should be obtained to reduce estimated resources available for appropriation. The following funds had estimated resources available that exceeded actual resources available, and the deficiency reduced available resources below the current level of appropriation contrary to Ohio Revised Code Section 5705.36(A)(4):

<u>Year/Fund</u>	<u>Actual Resources Available</u>	<u>Appropriations</u>	<u>Variance</u>
<i>2010:</i>			
Street Maintenance	\$1,293,244	\$1,457,583	(\$164,339)
Tree Commission	12,757	12,926	(169)
Sidewalk Project	5,271	5,500	(229)
<i>2009:</i>			
Street Maintenance	1,561,678	1,585,500	(23,822)
Water	348,792	349,000	(208)
Sewer	287,683	288,000	(317)
Parks	262,441	262,500	(59)

We recommend that management of the Village more closely monitor its budgetary compliance with the applicable sections of the Ohio Revised Code.

**Village’s Response**

The Village will attempt to more closely monitor its compliance with the requirements of the Ohio Revised Code in the future.

**VILLAGE OF COLDWATER  
MERCER COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation
2008-01	Negative cash balances noncompliance citation. ORC section 5705.10.	No	Condition existed during current audit period, reissued as finding 2010-02.

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# Dave Yost • Auditor of State

**VILLAGE OF COLDWATER**

**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**