



**Auditor of State  
Betty Montgomery**



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Coldwater Exempted Village School District (the School District), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the School District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

October 5, 2004

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts</b>						
Property Taxes	\$2,974,528	\$47,977	\$989,101			\$4,011,606
Income Taxes	503,523					503,523
Tuition	13,506					13,506
Intergovernmental	7,157,826	516,169	139,245	6,168,600		13,981,840
Interest	33,239			362,283	290	395,812
Extracurricular Activities		295,062				295,062
Classroom Materials & Fees	31,584	1,769				33,353
Miscellaneous	191,244	33,502		47,296		272,042
<b>Total Cash Receipts</b>	<b>10,905,450</b>	<b>894,479</b>	<b>1,128,346</b>	<b>6,578,179</b>	<b>290</b>	<b>19,506,744</b>
<b>Cash Disbursements</b>						
Current:						
Instruction:						
Regular	5,631,041	261,141		5,822	1,250	5,899,254
Special	1,092,403	294,394				1,386,797
Vocational	579,344	5,266				584,610
Support Services:						
Pupils	418,464					418,464
Instruction	277,077	107,096				384,173
Board of Education	17,288					17,288
Administration	859,733					859,733
Fiscal	264,368	664	17,566			282,598
Operation and Maintenance	748,676	256		6,256		755,188
Transportation	419,872	1,694				421,566
Central Services	1,931	3,427				5,358
Extracurricular Activities	256,308	326,369				582,677
Capital Outlay	42,380			2,861,136		2,903,516
Debt Service	53,366		1,095,593			1,148,959
<b>Total Cash Disbursements</b>	<b>10,662,251</b>	<b>1,000,307</b>	<b>1,113,159</b>	<b>2,873,214</b>	<b>1,250</b>	<b>15,650,181</b>
Cash Receipts Over (Under)						
Cash Disbursements	243,199	(105,828)	15,187	3,704,965	(960)	3,856,563
<b>Other Sources (Uses):</b>						
Proceeds from the Sale of Fixed Assets	3,989					3,989
Advances In		8,000				8,000
Advances Out	(9,000)					(9,000)
Operating Transfers In	109	60,000	8,500			68,609
Operating Transfers Out	(68,609)					(68,609)
Refund of Prior Year Receipts				(31,777)		(31,777)
Refund of Prior Year Expenditures	5,554					5,554
<b>Total Other Sources (Uses)</b>	<b>(67,957)</b>	<b>68,000</b>	<b>8,500</b>	<b>(31,777)</b>		<b>(23,234)</b>
Cash Receipts and Other Sources Over (Under)						
Cash Disbursements and Other Uses	175,242	(37,828)	23,687	3,673,188	(960)	3,833,329
Fund Cash Balances at Beginning of Year, Restated (Note 3)	1,333,120	530,132	368,150	10,374,687	12,969	12,619,058
<b>Fund Cash Balances at End of Year</b>	<b>\$1,508,362</b>	<b>\$492,304</b>	<b>\$391,837</b>	<b>\$14,047,875</b>	<b>\$12,009</b>	<b>\$16,452,387</b>

The accompanying notes are an integral part of the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Proprietary Fund Type	Fiduciary Funds		Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	
<b>Cash Receipts</b>				
Food Services	\$298,253			\$298,253
Extracurricular Activities			59,780	59,780
Interest		3,491		3,491
Classroom Materials & Fees	29,512			29,512
<b>Total Cash Receipts</b>	<u>327,765</u>	<u>3,491</u>	<u>59,780</u>	<u>391,036</u>
<b>Cash Disbursements</b>				
Salaries	142,633			142,633
Retirement & Insurances	87,903			87,903
Purchased Services	11,932			11,932
Materials and Supplies	211,956	800	57,703	270,459
Capital Outlay	5,416			5,416
Other Objects	682	1,791	27,593	30,066
<b>Total Cash Disbursements</b>	<u>460,522</u>	<u>2,591</u>	<u>85,296</u>	<u>548,409</u>
Cash Receipts Over (Under) Cash Disbursements	(132,757)	900	(25,516)	(157,373)
<b>Non-Operating Receipts</b>				
Interest	488			488
Miscellaneous	14,818		29,960	44,778
Federal and State Subsidies	76,819			76,819
<b>Total Non-Operating Receipts</b>	<u>92,125</u>		<u>29,960</u>	<u>122,085</u>
Revenue Over/ (Under) Expenses Before Interfund Transfers & Advances	(40,632)	900	4,444	(35,288)
Operating Transfers-in			109	109
Advances-In			1,000	1,000
Operating Transfers-out			(109)	(109)
<b>Net Revenues Over / (Under) Expenses</b>	<u>(40,632)</u>	<u>900</u>	<u>5,444</u>	<u>(34,288)</u>
Fund Cash Balance at Beginning of Year, Restated (Note 3)	89,740	154,483	14,966	259,189
<b>Fund Cash Balance at End of Year</b>	<u>\$49,108</u>	<u>\$155,383</u>	<u>\$20,410</u>	<u>\$224,901</u>

*The accompanying notes are an integral part of the financial statements.*



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental:</b>			
General Fund	\$10,915,940	\$10,915,102	(\$838)
Special Revenue Funds	1,033,388	962,479	(70,909)
Debt Service Funds	1,115,554	1,136,846	21,292
Capital Project Funds	20,580,603	6,578,179	(14,002,424)
<b>Proprietary:</b>			
Enterprise Funds	441,585	419,890	(21,695)
<b>Fiduciary:</b>			
Trust Funds	<u>3,781</u>	<u>3,781</u>	
Total (Memorandum Only)	<u>\$34,090,851</u>	<u>\$20,016,277</u>	<u>(\$14,074,574)</u>

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover Appropriations</b>	<b>2004 Appropriations</b>	<b>Total</b>
<b>Governmental:</b>			
General Fund	\$248,381	\$11,197,659	\$11,446,040
Special Revenue Funds	31,987	1,089,718	1,121,705
Debt Service Funds		1,118,801	1,118,801
Capital Project Funds	1,698,100	24,348,408	26,046,508
<b>Proprietary:</b>			
Enterprise Funds	5,792	503,240	509,032
<b>Fiduciary Fund Type:</b>			
Trust Funds		4,841	4,841
Total (Memorandum Only)	<u>\$1,984,260</u>	<u>\$38,262,667</u>	<u>\$40,246,927</u>

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

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/04</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$10,739,860	\$113,472	\$10,853,332	\$592,708
1,000,307	16,094	1,016,401	105,304
1,113,159		1,113,159	5,642
2,904,991	21,516,431	24,421,422	1,625,086
460,522	5,325	465,847	43,185
3,841		3,841	1,000
<u>\$16,222,680</u>	<u>\$21,651,322</u>	<u>\$37,874,002</u>	<u>\$2,372,925</u>

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Coldwater Exempted Village School District (the "District") is organized under Article VI, Section 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 District provides educational services as authorized by state statute and/or federal guidelines.

The District is located in a prosperous community within Mercer County, consisting of residences and significant office and retail commercial development. The School District is staffed by 46 non-certificated employees, 111 certificated employees who provide services to 1,628 students and other community members.

**Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with five jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Mercer County Local Professional Development Committee, Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program, and the Mercer-Auglaize Schools Employee Benefits Trust. These organizations are presented in Notes 12 and 13 of the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting 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 formerly prescribed or permitted for school districts by the Auditor of State.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**1. Governmental Fund Types**

**General Fund** - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

**Special Revenue Funds** - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

**Debt Service Funds** - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

**Capital Projects Funds** - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**2. Proprietary Fund Types**

Proprietary funds are used to account for the Districts ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

**Enterprise Funds** - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**3. Fiduciary Fund Type**

**Fiduciary Funds** - are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, non-expendable trust, and agency funds.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

**1. Budget**

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

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the 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 District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

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

**4. Encumbrances**

The 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. 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 Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Unpaid Vacation and Sick Leave**

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

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. 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.

**3. RESTATEMENT OF FUND BALANCES**

For fiscal year 2004, the District changed the fund type classification of a couple of funds. This change had the following effect on fund balances as previously reported:

	<b>June 30, 2003</b>	<b>Adjustment</b>	<b>July 1, 2003</b>
General	\$1,339,393	(\$6,273)	\$1,333,120
Special Revenue	523,798	6,334	530,132
Agency	15,031	(65)	14,966

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 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. Interim monies may be invested in the following obligations.

Protection of the 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 moneys deposited with the institution.



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in 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; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies 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 District and must be purchased with the expectation that it will be held to maturity. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

As of June 30, 2004, the District had \$1,648 in un-deposited cash on hand which is included in the fund balance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At June 30, 2004, the carrying amount of the District's deposits was \$7,315,071 and the bank balance was \$7,640,870. Of the bank balance, \$200,000 was covered by federal depository insurance and \$7,440,870 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

	<b>Category 2</b>	<b>Carrying Value</b>	<b>Fair Value</b>
Federal Agency Securities	\$8,644,027	\$8,644,027	\$8,341,898
Mutual Funds		649,161	649,161
Star Ohio		67,381	67,381
Total		\$9,360,569	\$9,058,440

**5. PROPERTY TAX**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date.

Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**5. PROPERTY TAX (Continued)**

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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<b>2003 Second-Half Collections</b>		<b>2004 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Property:				
Residential/Agricultural & Commercial/Industrial	\$94,366,070	88.14%	\$95,819,304	86.88%
Public Utilities	3,933,630	3.67%	3,804,070	3.44%
Tangible Personal Property:				
General	8,769,550	8.19%	10,672,190	9.68%
Total Valuation	<u>\$107,069,250</u>	<u>100.00%</u>	<u>\$110,295,600</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$55.33		\$55.33	

**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 2004 amounted to \$47,296.

**7. INCOME TAX**

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

**8. DEBT OBLIGATIONS**

**A. Short-Term Debt Obligations**

The District had no short-term debt during 2004.

**B. Long-Term Debt Obligations**

Debt obligations of the School District at June 30, 2004, consisted of the following:

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

	<b>Principal Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/04</b>
1990 School Renovation Bonds Rate 6.87%	\$575,000		\$ 30,000	\$ 545,000
1993 Refinance Addition Bonds Rate 2.6 - 5.5%	1,669,985		135,375	1,534,610
2002 Ohio School Facility Construction Project Bonds Rate 4.4%	9,499,996		160,000	9,339,996
Asbestos Removal Loan Rate 0%	57,936		16,553	41,383
Junior High Loan	275,000		25,000	250,000
<b>Total Debt Obligations</b>	<b>\$12,077,917</b>		<b>\$366,928</b>	<b>\$11,710,989</b>

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

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

**2002 School Facilities Construction and Improvement Bonds** – On March 1, 2003, the School District issued \$9,499,996 in current interest serial bonds, 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.

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

**Junior High Loans Payable** - 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 is planned to be retired with transfers from the General Fund to the Bond Retirement debt service fund.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

**C. Future Debt Requirements**

The annual requirements to amortize all debt outstanding as of June 30, 2003 are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$456,134	\$693,514	\$1,149,648
2006	448,557	692,470	1,141,027
2007	445,932	691,291	1,137,223
2008	435,553	689,395	1,124,948
2009	440,705	686,017	1,126,722
2010-2014	2,573,760	2,687,465	5,261,225
2015-2019	1,440,348	1,496,447	2,936,795
2020-2024	1,940,000	1,029,300	2,969,300
2025-2029	2,405,000	546,982	2,951,982
2030-2031	1,125,000	52,609	1,177,609
Total	<u>\$11,710,989</u>	<u>\$9,265,490</u>	<u>\$20,976,479</u>

**9. RISK MANAGEMENT**

**Public 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 2004, the School District carried property and general liability insurance and boiler and machinery insurance.

Professional liability is protected by the Indiana Insurance Company with \$2,000,000 each occurrence, \$4,000,000 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 \$29,229,150 (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. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

**Health Care Benefits**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

**Workers' Compensation**

The School District participates in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 12). 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. 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 public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**10. PENSION PLANS (Continued)**

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$729,644, \$708,354, and \$484,519 respectively; 82 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$ 4,868 made by the School District and \$4,636 made by the plan members.

**B. School Employees Retirement System**

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

Plan members must contribute 9 percent of their annual covered salary and the School District must contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution funds pension obligations with the remainder used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$86,864, \$53,381, and \$39,358, respectively; 43 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

**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, 2004, four of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$56,126 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$83,249.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**12. JOINTLY GOVERNED ORGANIZATIONS**

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

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



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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 Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

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

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

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**13. GROUP INSURANCE PURCHASING POOL**

**Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan** - The School District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

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

**14. STATUTORY RESERVES**

State statute annually requires the District set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-Aside Cash Balance as of June 30, 2003	\$(201,974)	\$(9,225,118)	\$30,977
Required Set-Aside	213,659	213,659	0
Offsets	0	(47,977)	0
Qualifying Expenditures	(258,472)	0	0
Balance Carried Forward to Subsequent Year	<u>\$(246,787)</u>	<u>\$(9,059,436)</u>	<u>\$30,977</u>

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**15. CONTINGENCIES**

**A. Grants**

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

**B. State School Funding Decision**

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

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

**16. CONTRACTUAL COMMITMENTS**

At June 30, 2004 the District had the following outstanding contractual commitments for the building construction project and bus purchase:

<u>Contractor / Vendor</u>	<u>Amount</u>	<u>Description</u>
Peterson Construction	\$10,446,144	general trades
Ohio Plumbing & Electrical, Inc	818,474	Plumbing
Frost & Co	4,122,681	heating, ventilation, air conditioning
Koester Electric, Inc	3,331,695	Electrical
Central Fire Protection	511,063	fire and security systems
AH Sturgill Roofing	1,178,296	Roofing
Great Lakes Hotel Supply	279,346	kitchen equipment
Sun Technologies	252,278	technology equipment
Fanning/Howey Associates, Inc	451,980	Architect
Tuttle Bostelman	1,338,467	construction manager
Total Environmental Services LLC	39,335	asbestos removal
Cardinal Bus Sales and Services Inc	54,256	72 passenger diesel bus

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution	N/A	10.550		\$48,101		\$48,101
Breakfast Program	045310 05PU	10.553	3,095		3,095	
National School Lunch Program	045310 LLP4	10.555	<u>71,490</u>		<u>71,490</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			74,585	48,101	74,585	48,101
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Special Education Cluster:						
Special Education_Grants to States	045310 6BSF 2004 P	84.027	188,409		188,409	
Special Education_Grants to States	045310 6BSD 2004 P	84.027	10,500		13,870	
Special Education_Grants to States	045310 6BSD 2003 P	84.027	35,000		48,843	
Special Education_Grants to States	045310 6BSF 2003 P	84.027	<u>15,765</u>		<u>15,765</u>	
Total Special Education Cluster			249,674		266,887	
Title I Grants to Local Educational Agencies	045310 C1-S1 2004	84.010	125,245		125,101	
Title I Grants to Local Educational Agencies	045310 C1-S1 2003	84.010	<u>8,135</u>		<u>8,135</u>	
Total			133,380		133,236	
Improving Teacher Quality State Grant	45310 TRS1 2004	84.367	41,865		38,177	
Improving Teacher Quality State Grant	45310 TRS1 2003	84.367	<u>9,535</u>		<u>9,535</u>	
Total			51,400		47,712	
Safe and Drug-Free School and Communities State Grant	045310 DRS1 2004	84.186	5,137		3,638	
Safe and Drug-Free School and Communities State Grant	045310 DRS1 2003	84.186	<u>(402)</u>		<u>400</u>	
Total			4,735		4,038	
Innovative Education Program Strategies	045310 C2S1 2004	84.298	12,758		5,162	
Innovative Education Program Strategies	045310 C2S1 2003	84.298	<u>(6,496)</u>			
Total			6,262		5,162	
Technology Literacy Challenge Fund Grant	45310 TJS1 2004	84.318	5,698		5,677	
Technology Literacy Challenge Fund Grant	45310 TJS1 2003	84.318	<u>(1,760)</u>			
Total			<u>3,938</u>		<u>5,677</u>	
Total U.S. Department of Education			449,389	\$48,101	462,712	\$48,101
<b>Total Federal Assistance</b>			<u>\$523,974</u>	<u>\$48,101</u>	<u>\$537,297</u>	<u>\$48,101</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2004**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- NUTRITION CLUSTER**

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

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

**NOTE C -- PROGRAM YEAR TRANSFERS**

The negative receipts recorded on the schedule for CFDA #84.186, 84.298 and 84.318 represent transfers between the 2003 and 2004 program years within the same CFDA No. The transfer is recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 Coldwater Exempted Village School District (the School District) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 5, 2004, wherein we noted that the School District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated October 5, 2004.

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

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

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

**Betty Montgomery**  
Auditor of State

October 5, 2004





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

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

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

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

#### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

October 5, 2004

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

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

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

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

**FINDING NUMBER 2004-001**

**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 Admin Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares 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 School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b><i>Explain:</i></b>
2003-001	ORC Sec. 117.38 & OAC Sec. 117-2-03 (B) – District filed cash basis financial statements	No	The District did not file fiscal year 2004 annual financial statements in accordance with generally accepted accounting principles (GAAP). See Finding 2004-001





**Auditor of State  
Betty Montgomery**

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 16, 2004**