



Mary Taylor, CPA  
Auditor of State



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

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# Mary Taylor, CPA

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village Schools, Mercer County, (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, as of June 30, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Mary Taylor, CPA**  
Auditor of State

November 6, 2009

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The discussion and analysis of the Coldwater Exempted Village School District's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- General Receipts accounted for \$12,192,708 in receipts or 82% of all receipts. Program specific receipts in the form of charges for services, grants, contributions and interest accounted for \$2,614,434 or the other 18% of total receipts of \$14,807,142.
- Total program disbursements were \$15,089,398.
- Outstanding debt decreased from \$9,924,813 to \$9,484,108 through the payment of loan and bond principal amounts.

**Using this Annual Report**

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

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

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

**Basis of Accounting**

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

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

**Fund Financial Statements**

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

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

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

**Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 16 and 17. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**The School District as a Whole**

This year's financial statements were prepared on the modified cash basis utilizing the GASB Statement No. 34 presentation. Table 1 provides a summary of the School District's net assets for 2009 and 2008, comparatively:

**(Table 1)  
Net Assets – Modified Cash Basis**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$5,316,768	\$5,559,024
Total Assets	<u>5,316,768</u>	<u>5,599,024</u>
<b>Net Assets:</b>		
<b>Restricted:</b>		
Capital Outlay	1,057,809	1,294,612
Debt Service	825,420	787,289
Other Purposes	1,006,048	623,760
Unrestricted	<u>2,427,491</u>	<u>2,893,363</u>
Total Net Assets	<u>\$5,316,768</u>	<u>\$5,599,024</u>

Net assets of the governmental activities decreased \$282,256, which represents a 5% decrease over fiscal year 2008. The decrease is the result of decreased property and income tax receipts.

A portion of the School District's net assets, \$2,889,277, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$2,427,491 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

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

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$1,043,913	\$ 959,249
Operating Grants	1,546,220	1,546,367
Capital Grants	24,301	120,665
<b>General Receipts:</b>		
Property and Income Taxes	4,608,245	4,766,777
Payments in lieu of Taxes	7,563	33,717
Grants and Entitlements	7,484,268	7,442,151
Proceeds from Sale of Capital Assets	2,279	2,213
Interest	85,975	203,448
Miscellaneous	<u>4,378</u>	<u>32,616</u>
Total Receipts	14,807,142	15,107,203

(Continued)

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Program Disbursements:</b>		
Instruction	8,910,932	8,516,291
Support Services	3,872,839	3,896,552
Non-Instructional/Food Services	530,341	516,044
Extracurricular	610,785	624,537
Capital Outlay	37,748	181,160
Debt Service	1,126,753	1,124,949
Total Disbursements	<u>15,089,398</u>	<u>14,859,533</u>
Decrease (Increase) in Net Assets	<u>(\$ 282,256)</u>	<u>\$ 247,670</u>

Several receipt sources fund the School District's governmental activities with grants and entitlements being the largest contributor. Grants and entitlements generated approximately \$7.5 million in 2009. General receipts from property and income taxes are also a large generator, of \$4.6 million.

Instruction comprises 59% of governmental program disbursements. Support services disbursements were 26% of governmental program disbursements. Debt service disbursements were 7% of governmental program disbursements in fiscal year 2009. All other disbursements were 8%.

The decrease in capital outlay disbursements is the result of the completion of the OSFC school building project.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2009 as compared to 2008. That is, it identifies the cost of these services, which must be supported by tax receipts and unrestricted State entitlements.

**(Table 3)  
Governmental Activities**

	<b>2009</b>		<b>2008</b>	
	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>
<b>Instruction:</b>	\$ 8,910,932	\$ 7,532,762	\$ 8,516,291	\$ 7,099,531
<b>Support Services:</b>				
Pupil and Instructional Staff	719,013	457,636	825,784	706,768
Board of Education, Administration and Fiscal	1,522,416	1,504,700	1,359,145	1,276,838
Operation and Maintenance of Plant	1,032,196	1,032,196	1,198,580	1,193,424
Pupil Transportation	570,120	548,585	485,917	467,965
Central Services	29,094	24,094	27,126	22,059
Operation of Non-Instructional/Food Services	530,341	(32,718)	516,044	12,436
Extracurricular Activities	610,785	259,329	624,537	259,513
Capital Outlay	37,748	21,627	181,160	69,769
Debt Service	1,126,753	1,126,753	1,124,949	1,124,949
Total	<u>\$15,089,398</u>	<u>\$12,474,964</u>	<u>\$14,859,533</u>	<u>\$12,233,252</u>

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

Instruction and student support services comprise 64% of governmental program disbursements. Board of Education, fiscal and administration charges were 10%. Fiscal disbursements include payments to the County Auditor(s) for administrative fees and other administrative services provided for the School District. Pupil transportation and the operation/maintenance of facilities accounts for 11% of governmental program disbursements.

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

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

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

**The School District's Funds**

The School District has two major governmental funds: the general fund and debt service fund. The assets of these funds comprise \$3,252,911, or 62% of the \$5,316,768 in total governmental funds' assets.

**General Fund** - Fund balance at June 30, 2009 was \$2,427,491, including \$2,018,131 of unreserved, undesignated balance. Unreserved fund balance remained consistent to the prior year. General Fund receipts for fiscal year 2009 were \$11,987,336, or 81% of total governmental receipts of \$14,809,137. General fund disbursements for fiscal year 2009 were \$12,101,364, or 80% of total governmental disbursements of \$15,089,398. From fiscal year 2008 to fiscal year 2009, receipts for the General Fund increased less than 1% while disbursements increased approximately 4%. During fiscal year 2009, property tax receipts declined over 4% and interest receipts also decreased significantly, which had an impact on the percentage of change from fiscal year 2008 to fiscal year 2009.

**Debt Service Fund** - Fund balance at June 30, 2009 was \$825,420, including \$825,420 of unreserved, undesignated balance. Unreserved fund balance remained consistent to the prior year. Debt service fund receipts for fiscal year 2009 were \$1,152,305, or 8% of total governmental receipts of \$14,809,137. Debt service fund disbursements for fiscal year 2009 were \$1,114,174, or 7% of total governmental disbursements of \$15,089,398. During fiscal year 2009, receipts of the Debt Service fund decreased by over 10%, mostly attributable to a decline in property and other local tax receipts. Debt Service fund disbursements increased by less than 1%.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2009, the School District amended its general fund budget to reflect changing circumstances. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis, actual receipts were \$11,987,336, which was \$160,480 under the final budget estimates of \$12,147,816. Of this decrease, most was attributable to a decrease from estimated intergovernmental receipts. Actual disbursements were \$12,331,747, which was \$914,200 under the final budget estimates of \$13,245,947. Of this decrease, most was attributed to monitored spending of Instruction and Support Services. Actual disbursements for Instruction were \$294,104 less than the budgeted amount. Actual disbursements for Support Services were \$608,304 less than budgeted.

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

**Set Aside and Debt Administration**

**Set-Aside**

Ohio law requires school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks (see note 12). For fiscal year 2009, this amounted to \$230,877 for each set aside. The School District has qualifying disbursements and offsets for capital acquisition equaling \$115,826. For the textbooks, the School District disbursed \$239,514 with the deficit balance scheduled to be carried forward into the 2010 fiscal year. The district fully utilizes both the materials and the equipment set-aside funds for those qualified expenditures.

**Debt**

At June 30, 2009, the School District's outstanding debt included \$9,380,108 of general obligation bonds issued for improvements to buildings and structures and \$104,000 of a bank loan used to purchase the Junior High building. For additional information regarding the School District's debt, refer to Note 8 to the basic financial statements.

**Current Issues**

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

The Coldwater Exempted Village School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy was passed by the residents of the School District in November 2004, as a continuing operating levy of property tax.

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

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

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**Current Building Issues**

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

In the fall of 2006, all students of the School District returned to one site. The district had a “learning year” during FY07 as it became accustomed to having operations in the newly-renovated facility in Coldwater. Management determined that earlier projections from utilities were mostly on target for fiscal year 2008 and continued to be on target for fiscal year 2009.

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2009**

	<u>Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,316,768
Total Assets	<u>5,316,768</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	825,420
Capital Outlay	1,057,809
Other Purposes	1,006,048
Unrestricted	<u>2,427,491</u>
Total Net Assets	<u>\$5,316,768</u>

*See accompanying notes to the financial statements.*

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants Contributions and Interest</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$6,525,475	\$327,174	\$238,046		(\$5,960,255)
Special	1,736,261	22,507	595,885		(1,117,869)
Vocational Education	649,196		194,558		(454,638)
<b>Support Services:</b>					
Pupil	415,800		252,377		(163,423)
Instructional Staff	303,213		9,000		(294,213)
Board of Education	18,977				(18,977)
Administration	1,159,992		8,007		(1,151,985)
Fiscal	343,447		9,709		(333,738)
Operation and Maintenance of Plant	1,032,196				(1,032,196)
Pupil Transportation	570,120		13,355	\$8,180	(548,585)
Central	29,094		5,000		(24,094)
Operation of Non-Instruction Services	80,388	29,142			(51,246)
Operation of Food Services	449,953	331,146	202,771		83,964
Extracurricular Activities	610,785	333,944	17,512		(259,329)
Capital Outlay	37,748			16,121	(21,627)
<b>Debt Service:</b>					
Principal	440,705				(440,705)
Interest	686,048				(686,048)
Total Governmental Activities	<u>\$15,089,398</u>	<u>\$1,043,913</u>	<u>\$1,546,220</u>	<u>\$24,301</u>	<u>(12,474,964)</u>

**General Receipts**

**Property Taxes Levied for:**

General Purposes	2,835,179
Debt Service	997,625
Building Maintenance	46,189
Income Taxes	729,252
Payments in Lieu of Taxes	7,563
Grants and Entitlements not Restricted to Specific Programs	7,484,268
Proceeds from Sale of Capital Assets	2,279
Interest	85,975
Miscellaneous	4,378
Total General Receipts	<u>12,192,708</u>

Change in Net Assets	(282,256)
Net Assets Beginning of Year	<u>5,599,024</u>
Net Assets End of Year	<u><u>\$5,316,768</u></u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,396,514	\$825,420	\$2,063,857	\$5,285,791
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	30,977			30,977
Total Assets	<u>2,427,491</u>	<u>825,420</u>	<u>2,063,857</u>	<u>5,316,768</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	235,383		39,375	274,758
Budget Stabilization	30,977			30,977
Unreserved, Designated for Budget Stabilization	143,000			143,000
Unreserved, Designated for Termination Benefits			360,669	360,669
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	2,018,131			2,018,131
Special Revenue Funds			606,004	606,004
Debt Service Funds		825,420		825,420
Capital Projects Funds			1,057,809	1,057,809
Total Fund Balances	<u>\$2,427,491</u>	<u>\$825,420</u>	<u>\$2,063,857</u>	<u>\$5,316,768</u>

*See accompanying notes to the financial statements.*

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
<b>Taxes:</b>				
Property and Other Local Taxes	\$2,835,179	\$954,861	\$46,189	\$3,836,229
Income Taxes	729,252			729,252
Intergovernmental	7,987,891	197,444	794,553	8,979,888
Interest	85,975		17,464	103,439
Tuition and Fees	279,622		38,436	318,058
Rent	12,634			12,634
Extracurricular Activities			333,945	333,945
Gifts and Donations			17,361	17,361
Customer Sales and Services	48,132		331,148	379,280
Payments in Lieu of Taxes			7,563	7,563
Miscellaneous	8,651		82,837	91,488
Total Receipts	<u>11,987,336</u>	<u>1,152,305</u>	<u>1,669,496</u>	<u>14,809,137</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,248,306		277,169	6,525,475
Special	1,439,391		296,870	1,736,261
Vocational	640,304		8,892	649,196
<b>Support Services:</b>				
Pupils	406,965		8,835	415,800
Instructional Staff	294,213		9,000	303,213
Board of Education	18,977			18,977
Administration	1,042,152		117,840	1,159,992
Fiscal	317,493	24,821	1,133	343,447
Operation and Maintenance of Plant	975,430		56,766	1,032,196
Pupil Transportation	363,008		207,112	570,120
Central	26,094		3,000	29,094
Operation of Non-Instructional Services	160		80,228	80,388
Operation of Food Services			449,953	449,953
Extracurricular Activities	289,813		320,972	610,785
Capital Outlay	1,658		36,090	37,748
<b>Debt Service:</b>				
Principal	32,000	408,705		440,705
Interest	5,400	680,648		686,048
Total Disbursements	<u>12,101,364</u>	<u>1,114,174</u>	<u>1,873,860</u>	<u>15,089,398</u>
Excess of Receipts Over (Under) Disbursements	<u>(114,028)</u>	<u>38,131</u>	<u>(204,364)</u>	<u>(280,261)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In			500,000	500,000
Advances In	151,750		90,000	241,750
Proceeds from Sale of Capital Assets	2,279			2,279
Refund of Prior Year Expenditures			60	60
Transfers Out			(500,000)	(500,000)
Advances Out	(90,000)		(151,750)	(241,750)
Refund of Prior Year Receipts	(151)		(4,183)	(4,334)
Total Other Financing Sources (Uses)	<u>63,878</u>		<u>(65,873)</u>	<u>(1,995)</u>
Net Change in Fund Balances	(50,150)	38,131	(270,237)	(282,256)
Fund Balance at Beginning of Year	<u>2,477,641</u>	<u>787,289</u>	<u>2,334,094</u>	<u>5,599,024</u>
Fund Balance at End of Year	<u>\$2,427,491</u>	<u>\$825,420</u>	<u>\$2,063,857</u>	<u>\$5,316,768</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$2,835,658	\$2,835,179	\$2,835,179	
Income Taxes	634,899	729,252	729,252	
Intergovernmental	7,989,264	8,160,039	7,987,891	(\$172,148)
Interest	210,000	97,000	85,975	(11,025)
Tuition and Fees	219,650	257,389	279,622	22,233
Rent	9,000	12,585	12,634	49
Customer Sales and Services	40,000	48,132	48,132	
Miscellaneous	15,000	8,240	8,651	411
Total Receipts	<u>11,953,471</u>	<u>12,147,816</u>	<u>11,987,336</u>	<u>(160,480)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,093,067	6,496,407	6,288,463	207,944
Special	1,210,766	1,470,813	1,441,483	29,330
Vocational	607,634	706,174	649,344	56,830
<b>Support Services:</b>				
Pupils	369,807	415,976	407,245	8,731
Instructional Staff	315,445	347,053	293,996	53,057
Board of Education	7,674	28,139	18,977	9,162
Administration	1,023,701	1,135,442	1,053,823	81,619
Fiscal	330,025	347,053	317,929	29,124
Operation and Maintenance of Plant	1,286,587	1,321,541	1,106,054	215,487
Pupil Transportation	447,356	598,431	399,308	199,123
Central	32,435	38,095	26,094	12,001
Operation of Food Services	1,500	5,500	160	5,340
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	43,747	47,072	43,355	3,717
Sport Oriented Activities	240,430	249,001	246,458	2,543
<b>Capital Outlay:</b>				
Building Acquisition and Construction Services	950	1,850	1,658	192
<b>Repayment of Debt</b>				
Principal	32,000	32,000	32,000	
Interest	5,400	5,400	5,400	
Total Disbursements	<u>12,048,524</u>	<u>13,245,947</u>	<u>12,331,747</u>	<u>914,200</u>
Excess of Receipts Over (Under) Disbursements	<u>(95,053)</u>	<u>(1,098,131)</u>	<u>(344,411)</u>	<u>753,720</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In		1,002	1,002	
Advances In	50,000	66,750	151,750	85,000
Proceeds from Sale of Capital Assets		2,130	2,279	149
Refund of Prior Year Expenditures	8,000			
Transfers Out	(250,000)	(99,000)	(6,002)	92,998
Advances Out	(50,000)	(90,000)	(90,000)	
Refund of Prior Year Receipts		(151)	(151)	
Total Other Financing Sources (Uses)	<u>(242,000)</u>	<u>(119,269)</u>	<u>58,878</u>	<u>178,147</u>
Net Change in Fund Balances	(337,053)	(1,217,400)	(285,533)	931,867
Fund Balance at Beginning of Year	2,261,924	2,261,924	2,261,924	
Prior Year Encumbrances Appropriated	<u>215,717</u>	<u>215,717</u>	<u>215,717</u>	
Fund Balance at End of Year	<u>\$2,140,588</u>	<u>\$1,260,241</u>	<u>\$2,192,108</u>	<u>\$931,867</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2009**

	<b>Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$171,936	\$25,239
Investments	29,305	
Total Assets	201,241	25,239
<b>Liabilities:</b>		
Due To Students		17,751
Due To Employees		7,488
		\$25,239
<b>Net Assets:</b>		
Endowment	159,805	
<b>Held in Trust for:</b>		
Scholarships	41,436	
Total Net Assets	\$201,241	

*See accompanying notes to the financial statements.*

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Donations	\$3,961
Interest	5,702
Miscellaneous	127
Total Additions	<u>9,790</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>7,626</u>
Total Deductions	<u>7,626</u>
Change in Net Assets	2,164
Net Assets - Beginning of Year	<u>199,077</u>
Net Assets - End of Year	<u><u>\$201,241</u></u>

*See accompanying notes to the financial statements.*

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

The School District is located in a community within Mercer County, consisting of residences and significant office and retail commercial development. The School District is staffed by 50 non-certificated employees, 102 certificated employees who provide services to 1,426 students and other community members.

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

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

The School District is associated with four jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Regional Professional Development Center, Educational Regional Service System Region 6, Mercer County Local Professional Development Committee, OASBO/Sheakley Workers' Compensation Group Rating Plan, and the Mercer-Auglaize Schools Employee Benefits Trust. These organizations are presented in Notes 13 and 14 of the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**A. Basis of Accounting**

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

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

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

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

**B. Basis of Presentation - Fund Accounting**

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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

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

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

The funds of the financial reporting entity are described below.

**3. Governmental Funds/Governmental Activities**

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

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

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

**4. Fiduciary Fund Types**

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

**C. Budgetary Process**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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

**1. Tax Budget**

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

**3. Appropriations**

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

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

**4. Encumbrances**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

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

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

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

During 2009, the School District invested in nonnegotiable certificates of deposits, money market accounts and stock.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2009 were \$85,975, which includes \$46,719 assigned from other School District funds.

**E. Restricted Assets**

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

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

**F. Capital Assets**

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

**G. Accumulated Leave**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**H. Long-Term Debt**

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

**I. Fund Balance Reserves and Designations**

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and budget stabilization.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits and budget stabilization represents monies set aside by the Board for the future payment of termination benefits and budget stabilization.

**J. Interfund Receivables/Payables**

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

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

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities on the accompanying financial statements. At June 30, 2009, the General Fund had unpaid interfund cash advances, in the amount of \$5,000 for short-term loans made to the Learn and Serve special revenue funds. These are expected to be repaid within one year.

**K. Equity Classifications**

**1. Government-Wide Statements**

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance. The School District records reservations for portions of fund balances, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and budget stabilization. The designation for budget stabilization represents revenue set aside that exceeds statutorily required amounts.

**L. Receipts and Disbursements**

**1. Program Receipts**

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

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

**2. Disbursements**

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

**3. COMPLIANCE**

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, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940;
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies;

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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

**A. Deposits**

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

At fiscal year end, the carrying amount of the School District's deposits was \$5,511,595 and the bank balance was \$5,563,931. Of the bank balance, \$919,139 was covered by federal depository insurance and \$4,644,792 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2009, the School District has \$2,348 in undeposited cash on hand. This amount is included in cash and cash equivalents.

**B. Investments**

Investments are reported at carrying value. As of June 30, 2009, the School District owned 600 shares of Dominion stock with a fair value of \$29,305.

**C. Interest Rate Risk**

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

**D. Credit Risk**

The School District's investment at June 30, 2009, in Dominion Resources, Inc. is rated A- by Standard & Poor's. The School District's investment policy does not address credit risk.

**E. Concentration of Credit Risk**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of the prior December 31. For 2008, tangible personal property is assessed at 6.25% for property. This percentage will be reduced to zero for 2009.

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.

Tangible personal property taxes paid 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.

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, 2009, are available to finance fiscal year 2009 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 2009 taxes were collected are:

	<b>2008 Second-Half Collections</b>		<b>2009 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$109,780,510	92	\$109,793,890	92
Public Utility	2,900,540	2	2,887,160	2
Tangible Personal Property	6,176,110	6	6,176,110	6
<b>Total Assessed Value</b>	<b>\$118,857,160</b>	<b>100</b>	<b>\$118,857,160</b>	<b>100</b>
Tax rate per \$1,000 of assessed valuator		\$55.83		\$55.03

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**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 2009 amounted to \$7,563.

**7. INCOME TAX**

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

**8. DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2009 consisted of the following:

	<b>Principal Outstanding 6/30/08</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/09</b>	<b>Due Within One Year</b>
1990 School Renovation Bonds Rate 6.87%	\$ 395,000		\$ 45,000	\$ 350,000	\$ 50,000
1993 Refinance Addition Bonds Rate 2.6 – 5.5%	1,068,817		98,705	970,112	92,853
2002 Ohio School Facility Construction Project Bonds Rate 4.4%	8,324,996		265,000	8,059,996	275,000
Junior High Loan Rate 4.5%	136,000		32,000	104,000	33,000
<b>Total Debt Obligation</b>	<b>\$9,924,813</b>	<b>\$0</b>	<b>\$440,705</b>	<b>\$9,484,108</b>	<b>\$450,853</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.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

2002 School Facilities Construction and Improvement Bonds Redemption Provisions:

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

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

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

Interest on the Capital Appreciation Bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (Interest Accretion dates) but will be payable at maturity. The Capital Appreciation Bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$620,000. The accreted amount for fiscal year 2009 was \$20,094, and the amount of the bonds outstanding including accreted interest at June 30, 2009 is \$506,964.

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

The annual requirements to amortize all debt outstanding as of June 30, 2009 are as follows:

Fiscal year Ending June 30,	1990 Bonds Principal	1993 Bonds Principal	2002 Bonds Principal	Junior High Loan Principal	Interest	Total
2010	\$ 50,000	\$ 92,853	\$ 275,000	\$ 33,000	\$ 680,248	\$ 1,131,101
2011	50,000	87,259	280,000	35,000	672,962	1,125,221
2012	55,000	385,000	290,000	36,000	355,876	1,121,876
2013	60,000	405,000	300,000		320,389	1,085,389
2014	65,000		74,648		535,661	675,309
2015-2019	70,000		1,370,348		1,618,774	3,059,122
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>\$350,000</u>	<u>\$970,112</u>	<u>\$8,059,996</u>	<u>\$104,000</u>	<u>\$5,812,801</u>	<u>\$15,296,909</u>

**9. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2009, the School District carried property and general liability insurance and boiler and machinery insurance.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

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

Commercial property is covered by the Indiana Insurance Company. Commercial property is insured at a limit of \$51,598,543 (increased with new presentation of statement of values each fall). Commercial auto insurance is covered by the Indiana Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. There has been no significant reduction in insurance coverage from fiscal year 2008, and no insurance settlement has exceeded insurance coverage during the last three years.

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

**B. Health Care Benefits**

The School District participates in the Mercer/Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and 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.

**C. Workers' Compensation**

The School District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 13). 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.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

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

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$823,263, \$807,861, and \$768,039 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP for fiscal year 2009 was \$5,912 made by the School District and \$12,466 made by the plan members.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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

**Funding Policy** - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension and death benefits. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$118,546, \$161,440, and \$134,381, respectively; 36 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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, 2009, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. POST EMPLOYMENT BENEFITS**

**A. School Teachers Retirement System**

**Plan Description** - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$63,328, \$62,143, and \$60,522 respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. School Employees Retirement System**

**Postemployment Benefits**

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$8,541, \$8,820, and \$8,375 respectively, which equaled the required contributions each year.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. POST EMPLOYMENT BENEFITS (Continued)**

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$54,096, \$55,096, and \$42,129, respectively; 83 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$8,541, \$8,820, and \$8,375 respectively, which equaled the required contributions each year.

**12. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>	<b>Budget Stabilization</b>
Set-Aside Cash Balance as of June 30, 2008	(\$ 9,439)		\$30,977
Required Set-Aside	230,877	\$ 230,877	
Current Year Offsets (Not Available for Carry Forward)		(46,189)	
Qualifying Disbursements	(239,514)	(69,637)	
Total	<u>(\$18,076)</u>	<u>\$ 115,051</u>	<u>\$30,977</u>
Set-Aside Balance Carried Forward to FY 2009	<u>(\$18,076)</u>		<u>\$30,977</u>
Prior Year Offsets – Available for Carry Forward		<u>(\$8,768,665)</u>	
Offset Balance Carried Forward to FY 2009		<u>(\$8,607,425)</u>	

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**12. STATUTORY RESERVES (Continued)**

The School District had qualifying disbursements during the year that reduced the Textbook set-aside amount to below zero. Ohio Revised Code Section 3315.17 allows for the extra amount to carry over into future years for textbooks. For capital acquisitions, the extra amount, which was the result of capital disbursements 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. The Board has designated an additional \$143,000 for budget stabilization.

**13. JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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

**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.

**14. GROUP PURCHASING POOL**

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

**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, Sky Bank, concerning aspects of the administration of the Trust.

**15. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust fund includes donor-restricted endowments. Net Assets - Endowments of \$159,805 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for disbursement by the governing body is \$41,436 and is included as net assets held in trust for scholarships. State law permits the governing board to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**16. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**17. INTERFUND TRANSFERS**

During fiscal year 2009, the School District made transfers between funds as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
<b>Governmental:</b>		
All Other Governmental Funds	\$500,000	\$500,000
Total Governmental	\$500,000	\$500,000

The OSFC/Local Share Building Fund transferred \$500,000 to the Capital Improvement Fund for the acquisition of permanent improvements.

**18. INTERFUND ADVANCES**

During fiscal year 2009, the School District made advances between funds as follows:

	<u>Advances-In</u>	<u>Advances-Out</u>
<b>Governmental:</b>		
General Fund	\$151,750	\$ 90,000
All Other Governmental Funds	90,000	151,750
Total Governmental	\$241,750	\$241,750

Of the total \$241,750 advances during fiscal year 2009, \$66,750 represents the amounts that were repayments of advances made by the General Fund during fiscal year 2008. The remaining \$90,000 represents advances made by the General Fund during fiscal year 2009 to cover general operations of grant funds. Of the advances \$85,000 were repaid during the current fiscal year. The remaining advances are intended to be repaid in the subsequent fiscal year.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND DISBURSEMENTS  
FOR YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Year</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>						
<i>(Passed through Ohio Department of Education)</i>						
<b>Nutrition Cluster:</b>						
School Breakfast Program		10.553	\$1,288		\$1,288	
National School Lunch Program		10.555	104,621		104,621	
Non-Cash Assistance (food distribution)						
National School Lunch Program		10.555		\$56,024		\$56,024
Total National Schol Lunch Program			104,621	56,024	104,621	56,024
Total Nutrition Cluster			105,909	56,024	105,909	56,024
Total U.S. Department of Agriculture			105,909	56,024	105,909	56,024
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through Ohio Department of Education)</i>						
Special Education_Grants to States	2008	84.027			8,834	
	2009		252,377		252,377	
Total Special Education - Grants to States			252,377		261,211	
Title I Grants to Local Educational Agencies	2008	84.010	22,513		15,580	
	2009		100,824		98,283	
Total Title I Grants to Local Educational Agencies			123,337		113,863	
Improving Teacher Quality State Grant	2009	84.367	45,754		45,754	
Safe and Drug-Free School and Communities	2009	84.186	3,560		3,560	
21st Century Community Learning Center	2008	84.287	(3,223)		7,557	
	2009		139,967		131,747	
Total 21st Century Community Learning Center			136,744		139,304	
Innovative Education Program Strategies	2008	84.298	(629)			
	2009		3,018		3,018	
Total Innovative Education Program Strategies			2,389		3,018	
Technology Literacy Challenge Grant	2008	84.318	77			
	2009		2,254		1,941	
Total Technology Literacy Challenge Grant			2,331		1,941	
Total U.S. Department of Education			566,492		568,651	
<b>Corporation for National and Community Service</b>						
<i>(Passed through Ohio Department of Education)</i>						
Learn and Service America - School & Community Based Programs	2010	94.004			239	
Learn and Service America - School & Community Based Programs	2009		11,652		15,000	
Total Corporation for National and Community Service			11,652		15,239	
Total Federal Assistance			<u>\$684,053</u>	<u>\$56,024</u>	<u>\$689,799</u>	<u>\$56,024</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FEDERAL AWARD RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The government reports commodities consumed on the Schedule at the fair value.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – NEGATIVE RECEIPTS**

The negative receipt reported on the schedule for CFDA # 84.298 represents a transfer between the 2008 and 2009 program years within the same CFDA number. These transfers are recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center. The negative receipt reported on the schedule for CFDA #84.287 represents a repayment to the Ohio Department of Education for unused grant funds. These are coded as negative receipts since the funds were returned and are not a federal expenditure.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2009, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated November 6, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 6, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 6, 2009



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Coldwater Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

We noted an instance of noncompliance or matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 6, 2009.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance  
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 6, 2009

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER - 2009-001**

**Noncompliance - Financial Reporting**

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

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

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

**Official's Response**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	ORC 117.38 and OAC 117-2-03 (B) – Preparation and filing of cash basis annual financial report.	No	Repeated as finding 2009-001

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# Mary Taylor, CPA

Auditor of State

## Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 9, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 6, 2009



**Mary Taylor, CPA**  
Auditor of State

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 22, 2009**