



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

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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 School District, Mercer County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, Ohio, as of June 30, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities, and outstanding debt. The Schedule of Federal Awards Receipts and Disbursements (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 21, 2013

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The discussion and analysis of the Coldwater Exempted Village School District School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. 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 fiscal year 2012 are as follows:

- In total, net assets increased \$420,515, mostly due to the completion of the Ohio School Facilities Commission ("OSFC") project, as well as a significant decrease to instruction disbursements.
- Outstanding debt decreased from \$8,555,996 to \$7,764,992 through principal payments made during the current year, coupled with the issuance of \$6,774,996 in general obligation refunding bonds.

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 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. For fiscal year 2012, the General Fund, Debt Service Fund and Permanent Improvement Fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the 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 investments and changes in cash 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 investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and investments. 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, 2012
(UNAUDITED)
(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 2012?" 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 revenue 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, 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 8. 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, debt service fund and permanent improvement fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to 2011.

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

	Governmental Activities	
	2012	2011
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 5,759,976	\$ 5,339,461
<i>Total Assets</i>	<i>5,759,976</i>	<i>5,339,461</i>
Net Assets		
Restricted for:		
Capital Outlay	581,391	856,976
Debt Service	1,132,482	1,005,980
Other Purposes	1,035,473	856,476
Unrestricted	3,010,630	2,620,029
<i>Total Net Assets</i>	<i>\$ 5,759,976</i>	<i>\$ 5,339,461</i>

Net assets of the governmental activities increased \$420,515, which represents an 8 percent increase from fiscal year 2011. The increase in net assets is the result of the School District's diligence in monitoring operations as seen in the decrease in instructional disbursements.

A portion of the School District's net assets, \$2,749,346 or 48 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$3,010,630 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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

	Governmental Activities	
	2012	2011
Receipts		
<i>Program Receipts</i>		
Charges for Services and Sales	\$ 1,546,563	\$ 1,536,601
Operating Grants, Contributions and Interest	1,300,391	1,743,621
Capital Grants, Contributions and Interest	0	189,813
<i>Total Program Receipts</i>	<u>2,846,954</u>	<u>3,470,035</u>
<i>General Receipts</i>		
Property Taxes	4,040,276	3,883,445
Income Taxes	713,335	635,497
Grants and Entitlements not Restricted to Specific Programs	7,686,437	7,359,309
Payments in Lieu of Taxes	4,146	1,500
Proceeds from Sale of Capital Assets	20,607	31,983
Proceeds of Refunding Bonds Issued	6,774,996	0
Premium on Debt Issuance	691,174	0
Investment Earnings	21,084	34,136
Miscellaneous	14,816	31,626
<i>Total General Receipts</i>	<u>19,966,871</u>	<u>11,977,496</u>
<i>Total Receipts</i>	<u>22,813,825</u>	<u>15,447,531</u>
<i>Program Disbursements</i>		
Instruction:		
Regular	6,709,325	7,195,093
Special	1,428,578	1,555,767
Vocational	678,493	816,828
Support Services:		
Pupils	463,312	402,411
Instructional Staff	320,546	309,515
Board of Education	19,440	17,757
Administration	1,112,190	1,148,339
Fiscal	393,356	345,806
Operation and Maintenance of Plant	1,086,962	1,165,816
Pupil Transportation	420,478	328,938
Central	26,887	26,922
Operation of Non-Instructional Services:		
Food Service Operations	498,737	489,492
Other	0	35,816
Extracurricular Activities	607,005	614,497
Capital Outlay	44,666	0
Debt Service:		
Principal Retirement	791,000	477,244
Interest and Fiscal Charges	326,165	635,866
Issuance Costs	129,343	0
Payment to Refunded Bond Escrow Agent	7,336,827	0
<i>Total Program Disbursements</i>	<u>22,393,310</u>	<u>15,566,107</u>
<i>Change in Net Assets</i>	420,515	(118,576)
<i>Net Assets Beginning of Year</i>	<u>5,339,461</u>	<u>5,458,037</u>
<i>Net Assets End of Year</i>	<u>\$ 5,759,976</u>	<u>\$ 5,339,461</u>

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Several receipt sources fund the School District's governmental activities with grants and entitlements being the largest contributor. Grants and entitlements generated approximately \$7.7 million in fiscal year 2012. General receipts from property and income taxes are also a large generator, of \$4.7 million.

Instruction comprises 40 percent of governmental program disbursements. Support services disbursements were 17 percent of governmental program disbursements. Debt service disbursements were 38 percent of governmental program disbursements in fiscal year 2012. All other disbursements were 5 percent.

Overall net assets of the School District increased \$ 420,515 or 8 percent compared to fiscal year 2011.

Governmental Activities

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. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)
Governmental Activities – Modified Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2012	2011	2012	2011
<i>Program Disbursements</i>				
Instruction:				
Regular	\$ 6,709,325	\$ 7,195,093	\$ 5,435,946	\$ 5,620,238
Special	1,428,578	1,555,767	966,336	1,045,343
Vocational	678,493	816,828	554,677	559,203
Support Services:				
Pupils	463,312	402,411	463,312	402,411
Instructional Staff	320,546	309,515	315,146	302,690
Board of Education	19,440	17,757	19,440	17,757
Administration	1,112,190	1,148,339	1,112,190	1,043,060
Fiscal	393,356	345,806	393,356	345,806
Operation and Maintenance of Plant	1,086,962	1,165,816	1,029,632	1,031,668
Pupil Transportation	420,478	328,938	420,478	328,938
Central	26,887	26,922	26,887	21,922
Operation of Non-Instructional Services:				
Food Service Operations	498,737	489,492	(56,502)	(37,749)
Other	0	35,816	0	35,816
Extracurricular Activities	607,005	614,497	237,457	265,859
Capital Outlay	44,666	0	44,666	0
Debt Service:				
Principal Retirement	791,000	477,244	791,000	477,244
Interest and Fiscal Charges	326,165	635,866	326,165	635,866
Issuance Costs	129,343	0	129,343	0
Payment to Refunded Bond Escrow Agent	7,336,827	0	7,336,827	0
<i>Total</i>	<u>\$ 22,393,310</u>	<u>\$ 15,566,107</u>	<u>\$ 19,546,356</u>	<u>\$ 12,096,072</u>

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 13 percent of all governmental expenses. The community is the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$5,759,976, which is higher than the prior year balance of \$5,339,461.

The General Fund had total cash receipts and other sources of \$12,226,579. The cash disbursements and other uses of the General Fund totaled \$11,750,732. The General Fund's fund balance increased \$475,847 in fiscal year 2012. The increase in fund balance can be attributed mostly to an increase in intergovernmental receipts.

The Debt Service Fund had total cash receipts and other sources of \$8,701,589 and total cash disbursements and other uses of \$8,575,087, for an increase in fund balance of \$126,502 in fiscal year 2012. The increase in fund balance is primarily due to increased property tax receipts.

The Permanent Improvement Fund had total cash receipts of \$4,146 and total cash disbursements of \$279,731, for a decrease in fund balance of \$275,585 in fiscal year 2012. The decrease in fund balance is primarily due to the reduction in receipts.

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 2012, the School District amended its general fund budget several times. For the general fund, final budget basis receipts were \$11,403,204, representing a decrease of \$ 442,701 from the original estimate of \$11,845,905. Actual receipts of \$ 12,067,964 were \$ 664,760 higher than the final budget. Of this increase, most was attributable to an increase in intergovernmental receipts, as well as increased tax receipts and tuition and fees.

For fiscal year 2012, the general fund final budget basis disbursements were \$12,242,374, which is over the original budgeted disbursements of \$12,184,853. Actual disbursements of \$11,645,571 were \$596,803 lower than the final budget. Actual instruction, operation and maintenance of plant, pupil transportation and administration disbursements were significantly under budgeted expectations.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2012 and 2011.

**(Table 4)
Outstanding Debt, at June 30**

	Governmental Activities	
	2012	2011
1990 Renovation Bonds	\$ 195,000	\$ 250,000
2002 School Improvement Serial, Term Bonds	439,996	7,504,996
2010 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	355,000	765,000
2012 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	6,774,996	0
Junior High Loan	0	36,000
<i>Total</i>	<u>\$ 7,764,992</u>	<u>\$ 8,555,996</u>

In April 2012, the School District issued general obligation bonds in the amount \$6,774,996 for the purpose of refunding a portion of the 2002 Ohio School Facility Construction Project Bonds. The refunding issued provided a savings of \$617,260 to the School District. For further information regarding the School District's debt, refer to Note 8 of 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. Each biennial budget brings with it a new set of concerns, as public K-12 is impacted by the State's budget adoption.

The Coldwater Exempted Village School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The community passed a \$550,000 emergency operating levy in March, 2012.

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).

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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. 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. In summary, management must consider what is happening in the economy and its impact on goods and services needed to operate the district.

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.

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.

In the fall of 2006, all students of the School District returned to one site. The district had a "learning year" during fiscal year 2007 as it became accustomed to having operations in the newly-renovated facility in Coldwater. Management determined that earlier projections from utilities were mostly on target for fiscal year 2009 and continued to be on target.

Contacting the School District's Financial Management

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$5,759,976
Total Assets	<u>5,759,976</u>
Net Assets:	
Restricted for:	
Capital Outlay	581,391
Debt Service	1,132,482
Other Purposes	1,035,473
Unrestricted	3,010,630
Total Net Assets	<u>\$5,759,976</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<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>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$6,709,325	\$671,205	\$602,174	(\$5,435,946)
Special	1,428,578	103,142	359,100	(966,336)
Vocational	678,493		123,816	(554,677)
Support Services:				
Pupils	463,312			(463,312)
Instructional Staff	320,546		5,400	(315,146)
Board of Education	19,440			(19,440)
Administration	1,112,190			(1,112,190)
Fiscal	393,356			(393,356)
Operation and Maintenance of Plant	1,086,962		57,330	(1,029,632)
Pupil Transportation	420,478			(420,478)
Central	26,887			(26,887)
Operation of Non-Instructional Services:				
Food Service Operations	498,737	422,549	132,690	56,502
Extracurricular Activities	607,005	349,667	19,881	(237,457)
Capital Outlay	44,666			(44,666)
Debt Service:				
Principal Retirement	791,000			(791,000)
Interest and Fiscal Charges	326,165			(326,165)
Issuance Costs	129,343			(129,343)
Payment to Refunded Bond Escrow Agent	7,336,827			(7,336,827)
Totals	<u>\$22,393,310</u>	<u>\$1,546,563</u>	<u>\$1,300,391</u>	<u>(19,546,356)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	2,953,150
Capital Outlay	1,036,677
Building Maintenance	50,449

Income Taxes Levied for:

General Purposes	713,335
Grants and Entitlements not Restricted to Specific Programs	7,686,437
Payments in Lieu of Taxes	4,146
Proceeds from Sale of Capital Assets	20,607
Proceeds of Refunding Bonds Issued	6,774,996
Premium on Debt Issuance	691,174
Investment Earnings	21,084
Miscellaneous	14,816

Total General Receipts 19,966,871

Change in Net Assets 420,515

Net Assets Beginning of Year 5,339,461

Net Assets End of Year \$5,759,976

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,127,130	\$1,132,482	\$581,391	\$918,973	\$5,759,976
Total Assets	<u>3,127,130</u>	<u>1,132,482</u>	<u>581,391</u>	<u>918,973</u>	<u>5,759,976</u>
Fund Balances:					
Nonspendable	255				255
Restricted	30,977	1,132,482	581,391	918,973	2,663,823
Committed	116,245				116,245
Assigned	2,009,581				2,009,581
Unassigned	970,072				970,072
Total Fund Balances	<u>\$3,127,130</u>	<u>\$1,132,482</u>	<u>\$581,391</u>	<u>\$918,973</u>	<u>\$5,759,976</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	General Fund	Debt Service Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	\$2,953,150	\$1,036,677		\$50,449	\$4,040,276
Income Taxes	713,335				713,335
Intergovernmental	7,601,443	198,742		1,127,585	8,927,770
Investment Income	21,084			658	21,742
Tuition and Fees	701,360			9,726	711,086
Rent	5,852				5,852
Payments in Lieu of Taxes			\$4,146		4,146
Extracurricular Activities	65,624			273,433	339,057
Gifts and Donations	954			7,518	8,472
Customer Sales and Services	68,019			387,385	455,404
Miscellaneous	41,791			58,116	99,907
Total Receipts	<u>12,172,612</u>	<u>1,235,419</u>	<u>4,146</u>	<u>1,914,870</u>	<u>15,327,047</u>
Disbursements:					
Current:					
Instruction:					
Regular	5,967,792		72,657	668,877	6,709,326
Special	1,273,578			155,000	1,428,578
Vocational	641,216		18,378	18,899	678,493
Support Services:					
Pupils	463,131		180		463,311
Instructional Staff	314,281		265	6,000	320,546
Board of Education	19,440				19,440
Administration	984,033		774	127,383	1,112,190
Fiscal	363,332	28,562	121	1,341	393,356
Operation and Maintenance of Plant	959,946		58,557	68,459	1,086,962
Pupil Transportation	334,633		84,954	891	420,478
Central	26,887				26,887
Extracurricular Activities	330,585			276,420	607,005
Operation of Non-Instructional Services:					
Food Service Operations				498,737	498,737
Capital Outlay	821		43,845		44,666
Debt Service:					
Principal Retirement	36,000	755,000			791,000
Interest and Fiscal Charges	810	325,355			326,165
Issuance Costs		129,343			129,343
Total Disbursements	<u>11,716,485</u>	<u>1,238,260</u>	<u>279,731</u>	<u>1,822,007</u>	<u>15,056,483</u>
Excess of Receipts Over (Under) Disbursements	<u>456,127</u>	<u>(2,841)</u>	<u>(275,585)</u>	<u>92,863</u>	<u>270,564</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	3,208			17,400	20,608
Proceeds of Refunding Bonds Issued		6,774,996			6,774,996
Premium on Debt Issuance		691,174			691,174
Payment to Refunded Bond Escrow Agent		(7,336,827)			(7,336,827)
Advances In	49,140			34,247	83,387
Advances Out	(34,247)			(49,140)	(83,387)
Transfers In	1,619				1,619
Transfers Out				(1,619)	(1,619)
Total Other Financing Sources (Uses)	<u>19,720</u>	<u>129,343</u>		<u>888</u>	<u>149,951</u>
Net Change in Fund Balances	475,847	126,502	(275,585)	93,751	420,515
Fund Balances Beginning of Year	<u>2,651,283</u>	<u>1,005,980</u>	<u>856,976</u>	<u>825,222</u>	<u>5,339,461</u>
Fund Balances End of Year	<u>\$3,127,130</u>	<u>\$1,132,482</u>	<u>\$581,391</u>	<u>\$918,973</u>	<u>\$5,759,976</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$2,898,810	\$2,790,477	\$2,953,150	\$162,673
Income Tax	700,209	674,041	713,335	39,294
Intergovernmental	7,461,571	7,182,720	7,601,443	418,723
Interest	20,696	19,923	21,084	1,161
Tuition and Fees	687,586	661,890	700,475	38,585
Rent	5,744	5,530	5,852	322
Customer Sales and Services	66,767	64,272	68,019	3,747
Miscellaneous	4,522	4,351	4,606	255
Total Receipts	<u>11,845,905</u>	<u>11,403,204</u>	<u>12,067,964</u>	<u>664,760</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,965,772	5,955,443	5,926,991	28,452
Special	1,309,448	1,314,482	1,283,424	31,058
Vocational	774,393	749,272	643,512	105,760
Support Services:				
Pupils	431,452	469,906	469,621	285
Instructional Staff	359,555	356,310	317,747	38,563
Board of Education	23,190	23,190	19,561	3,629
Administration	1,021,964	1,022,416	954,092	68,324
Fiscal	391,268	439,993	367,632	72,361
Operation and Maintenance of Plant	1,184,590	1,176,590	992,887	183,703
Pupil Transportation	348,836	354,837	342,938	11,899
Central	22,075	27,625	26,887	738
Operation of Non-Instructional Services:				
Food Services	500	500		500
Extracurricular Activities:				
Academic Oriented Activities	41,375	41,375	33,253	8,122
Sport Oriented Activities	271,725	271,725	228,495	43,230
Capital Outlay:				
Building Acquisition and Construction Services	1,900	1,900	1,721	179
Debt Service:				
Principal	36,000	36,000	36,000	
Interest	810	810	810	
Total Disbursements	<u>12,184,853</u>	<u>12,242,374</u>	<u>11,645,571</u>	<u>596,803</u>
Excess of Revenues Over (Under) Disbursements	<u>(338,948)</u>	<u>(839,170)</u>	<u>422,393</u>	<u>1,261,563</u>
Other Financing Sources (Uses):				
Transfers In		33,820	35,440	1,620
Advances In	70,000	70,000	49,139	(20,861)
Proceeds from Sale of Capital Assets		316	3,207	2,891
Refund of Prior Year Expenditures		8,729	8,749	20
Transfers Out	(75,000)	(75,000)		75,000
Advances Out	(80,000)	(80,000)	(34,247)	45,753
Total Other Financing Sources and (Uses)	<u>(85,000)</u>	<u>(42,135)</u>	<u>62,288</u>	<u>104,423</u>
Net Change in Fund Balance	(423,948)	(881,305)	484,681	1,365,986
Fund Balance Beginning of Year (Restated, Note 3)	2,152,747	2,152,747	2,152,747	
Prior Year Encumbrances Appropriated	<u>227,743</u>	<u>227,743</u>	<u>227,743</u>	
Fund Balance End of Year	<u>\$1,956,542</u>	<u>\$1,499,185</u>	<u>\$2,865,171</u>	<u>\$1,365,986</u>

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$167,012	\$32,408
Investments	23,352	
Total Assets	190,364	32,408
Net Assets:		
Endowments	159,790	
Held in Trust for Scholarships	30,574	
Held for Employees		16,439
Held for Student Activities		15,969
Total Net Assets	\$190,364	\$32,408

See accompanying notes to the financial statements.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Scholarship</u>
Additions:	
Gifts and Contributions	\$1,138
Interest	4,892
Miscellaneous	50
Total Additions	<u>6,080</u>
Deductions:	
Scholarships	<u>8,595</u>
Change in Net Assets	(2,515)
Net Assets Beginning of Year	<u>192,879</u>
Net Assets End of Year	<u><u>\$190,364</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 YEAR ENDED JUNE 30, 2012**

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 40 non-certificated employees and 102 certificated employees who provide services to 1,370 students and other community members.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting

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

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

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

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

B. Basis of Presentation - Fund Accounting

1. Government-Wide Financial Statements

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

The other governmental funds of the School District account for grants and other resources in which the School District is bound to observe constraints imposed upon the use of the resources.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

1. Tax Budget

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

2. Estimated Resources

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Investments

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 fiscal year 2012, the School District invested in nonnegotiable certificates of deposits and stock.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2012 were \$21,084, which includes \$9,637 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.

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. Intergovernmental Receipts

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

J. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

K. 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.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012, the General Fund had unpaid interfund cash advances in the amount of \$34,247 for short term loans made to various Special Revenue Funds including Fifth Quarter AG Grant, Race to the Top Grant, Title II-D, and Title I Grants.

L. Employer Contributions to Cost-Sharing Pension Plans

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

M. 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.”

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

2. Fund Financial Statements

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

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

N. Receipts and Disbursements

1. Program Receipts

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

3. RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal year 2012, the fund balance on the *Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund* is being restated to exclude amounts for the Uniform School Supplies, Public School Support and the Termination Benefits funds. The restatement is summarized below:

Fund Balance at June 30, 2011	\$2,422,426
Change in Fund Structure	<u>(269,679)</u>
Restated Fund Balance at June 30, 2011	<u><u>\$2,152,747</u></u>

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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;

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940;
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies;

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

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 \$5,949,098 and the bank balance was \$6,073,116. Of the bank balance, \$512,422 was covered by federal depository insurance and \$5,560,694 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, 2012, the School District has \$10,298 in un-deposited cash on hand. This amount is included in cash and cash equivalents.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

Investments are reported at cost. As of June 30, 2012, the School District owned 600 shares of Dominion stock with a cost of \$23,352, which was donated to the school's private purpose trust scholarship fund.

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, 2012, 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.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2012, are available to finance fiscal year 2012 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 2012 taxes were collected are:

	2011 Second – Half Collections		2012 First – Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$123,267,980	97%	\$130,533,820	98%
Public Utility Personal	3,250,590	3%	3,335,010	2%
Total Assessed Value	<u>\$126,518,570</u>	<u>100%</u>	<u>\$133,868,830</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$54.48		\$54.48	

6. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District, which reflect all, or a portion of the property taxes, which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2012 amounted to \$4,146.

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.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2012 consisted of the following:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Due Within One Year	Due in More Than One Year
1990 Renovation Bonds Rate 6.87%	\$ 250,000		\$ 55,000	\$ 195,000	\$ 60,000	\$ 135,000
2002 Ohio School Facility Construction Project Bonds Rate 4.4%	7,504,996		7,065,000	439,996	300,000	139,996
2010 Refunding Bonds Rate 1.10 – 6.08%	765,000		410,000	355,000	355,000	
2012 Refunding Bonds Rate 1.0 – 3.1%		\$6,774,996		6,774,996	145,000	6,629,996
Junior High Loan Rate 4.5%	36,000		36,000			
Total Debt Obligation	\$8,555,996	\$6,774,996	\$7,566,000	\$7,764,992	\$860,000	\$6,904,992

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.

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.

In fiscal year 2012, the School District issued \$6,774,996 in voted general obligation bonds to provide resources to purchase U.S. Government securities that are placed, along with the premiums received associated with the sale of the bonds in an escrow funds for the purpose of generating resources for future debt service payments of \$6,775,000 of the 2002 School Facilities Construction and Improvement Bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed.

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 2014 and 2015. The maturity amount of the bonds is \$620,000. The accreted amount for fiscal year 2012 was \$22,679, and the amount of the bonds outstanding including accreted interest at June 30, 2012 is \$572,344.

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

The Current Interest Bonds matured in fiscal year 2012.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

8. DEBT OBLIGATIONS (Continued)

Interest on the Capital Appreciation Bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (Interest Accretion dates) but will be payable at maturity. The Capital Appreciation Bonds will mature in fiscal year 2013. The maturity amount of the bonds is \$415,000. The accreted amount for fiscal year 2012 was \$23,433, and the amount of the bonds outstanding including accreted interest at June 30, 2012 is \$402,810.

2012 School Facilities Construction and Improvement Refunding Bonds – In April 2012, the School District issued \$6,774,996 in voted general obligation bonds for the purpose of refunding a portion of the 2002 Ohio School Facility Construction Project Bonds originally issued in the aggregate principal amount of \$9,499,996 for the purpose of school construction under the Classroom Facilities Assistance Program. The refunding bond issue consists of \$6,395,000 in serial bonds and \$379,996 in capital appreciation bonds. The serial bonds have interest rates ranging from 1.00 to 3.10 percent. The serial bonds mature annually beginning December 1, 2012, and ending December 1, 2030. Capital appreciation bonds in the amount of \$379,996 will accrete interest at rates from 1.90 to 2.30 percent. The capital appreciation bonds mature December 1, 2016, 2017 and 2018 in the amounts of \$410,000 per year.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$6,775,000 of the 2002 bond issue. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$617,260. The economic gain resulting from the refunding was \$621,572.

Capital appreciation bonds are not subject to redemption prior to maturity. 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 maturity amount of the bonds is \$1,230,000 in total. The accreted amount for fiscal year 2012 was \$14,363, and the amount of the bonds outstanding including accreted interest at June 30, 2012 is \$394,359.

The annual requirements to amortize all debt outstanding as of June 30, 2012 are as follows:

Fiscal Year Ending June 30,	1990 Bonds Principal	2002 Bonds Principal	2010 Bonds Principal	2012 Bonds Principal	Interest	Total
2013	\$60,000	\$300,000	\$355,000	\$ 145,000	\$175,943	\$ 1,035,943
2014	65,000	74,648		100,000	399,515	639,163
2015	70,000	65,348		100,000	403,176	638,524
2016				405,000	155,116	560,116
2017				154,328	404,713	559,041
2018 – 2022				1,485,668	1,314,538	2,800,206
2023 – 2027				2,305,000	505,475	2,810,475
2028 – 2031				2,080,000	162,320	2,242,320
	<u>\$195,000</u>	<u>\$439,996</u>	<u>\$355,000</u>	<u>\$6,774,996</u>	<u>\$3,520,796</u>	<u>\$11,285,788</u>

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

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 2012, the School District carried property and general liability insurance and boiler and machinery insurance. Professional liability is protected by the Indiana Insurance Company with \$1,000,000 each occurrence, \$2,000,000 in annual aggregate limit. Umbrella liability coverage exists \$5,000,000 each occurrence, \$5,000,000 general aggregate limit. Errors & Omissions and Sexual Misconduct are insured at \$1,000,000 each occurrence, \$1,000,000 general aggregate limit.

Commercial property is covered by the Indiana Insurance Company. Commercial property is insured at a limit of \$55,504,259 (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 prior year, and no insurance settlement has exceeded insurance coverage during the past five years. Public officials' bond insurance is provided by Ohio Farmers Insurance Company for a total of \$50,000. The Treasurer's bond insurance is provided by Ohio Farmers Insurance Company for a total of \$150,000.

B. Health Care Benefits

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

C. Workers' Compensation

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

10. PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$173,091, \$161,855 and \$122,358, respectively; 36 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement 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 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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

10. PENSION PLANS (Continued)

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$833,197, \$862,169 and \$850,029, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$18,922 made by the School District and \$13,516 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

11. POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

11. POST EMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800. Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$29,510, \$19,598, and \$55,836, respectively; 36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$10,262, \$10,416, and \$8,816, respectively; 36 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "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 the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$64,092, \$66,321, and \$64,652, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

12. FUND BALANCE

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Non-spendable:					
Unclaimed Monies	\$ 255				\$ 255
Total Unclaimed Monies	255				255
Restricted for:					
Capital Outlay			\$581,391		581,391
Classroom Facilities Maintenance				\$543,185	543,185
Debt Service		\$1,132,482			1,132,482
Budget Stabilization – BWC Refund	30,977				30,977
Other Purposes				375,788	375,788
Total Restricted	30,977	1,132,482	581,392	918,973	2,663,823
Committed to:					
Future Severance Payments	116,245				116,245
Total Committed	116,245				116,245
Assigned for:					
Instruction	27,094				27,094
Support Services	104,203				104,203
Public School Support	4,488				4,488
Educational Activities	1,011				1,011
Capital Improvements	899,689				899,689
Subsequent Year Appropriations	973,096				973,096
Total Assigned	2,009,581				2,009,581
Unassigned	970,072				970,072
	<u>\$3,127,130</u>	<u>\$1,132,482</u>	<u>\$581,391</u>	<u>\$918,973</u>	<u>\$5,759,976</u>

13. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2012, the reserve activity was as follows:

	<u>Capital Improvements</u>	<u>Budget Stabilization BWC Refund</u>
Set-aside Reserve Balance as of June 30, 2011		\$30,977
Current Year Set-aside Requirement	\$238,232	
Current Year Qualifying Disbursements	(126,307)	
Current Year Offsets	(111,925)	
Total	<u>\$ 0</u>	<u>\$30,977</u>

The Budget Stabilization – BWC Refund set-aside above represents the portion designated from workers compensation refunds. The Board has designated an additional \$143,000 for budget stabilization.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized. The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of 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 Executive Director, at 645 South Main Street, Lima, Ohio 45804.

West Central Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements to instructional programs. The Center is governed by a board made up of 52 representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

Educational Regional Service System Region 6 (ERSS) - The School District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities with the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region) and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Mercer County Local Professional Development Committee - The School District is a participant in the Mercer County Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by an 11-member board made up of six teachers, two building principals, one superintendent, and two members employed by the Mercer County Educational Service Center with terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. The Committee is an association of public school districts within the boundaries of Mercer County. Financial information can be obtained from the Mercer County Educational Service Center, 441 East Market Street, Celina, Ohio 45822.

15. GROUP PURCHASING POOL

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

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

16. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund includes donor-restricted endowments. Net Assets - Endowments of \$159,790 represents the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for disbursement by the governing body is \$30,574 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 YEAR ENDED JUNE 30, 2012
(Continued)**

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

18. INTERFUND TRANSFERS

During fiscal year 2012, the School District made the following transfers between funds:

	Transfers In	Transfers Out
Governmental:		
General Fund	\$1,619	
Other Governmental Funds:		
Cavelier Newspaper Fund		\$1,619
	\$1,619	\$1,619

During fiscal year 2012, the School District transferred \$1,619 from the Cavalier Newspaper Fund to the General Fund due to the closing of that fund.

19. INTERFUND ADVANCES

During fiscal year 2012, the School District made advances between funds as follows:

	Advances In	Advances Out
Governmental:		
General Fund	\$49,140	\$34,247
Other Governmental Funds:		
Fifth Quarter AG Grant	12,000	
Race to the Top Grant	6,450	
Title II D	797	
Title I	15,000	
Title V I-B ARRA		5,000
Title V I-B		5,000
ARRA FY 11 Title I		9,140
Title I		5,000
Title IIA		5,000
Learn & Serve		5,000
21 st Century Grant		15,000
Totals	\$83,387	\$83,387

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

19. INTERFUND ADVANCES (Continued)

Of the total \$83,387 advances during fiscal year 2012, \$49,140 represents amounts that were repayments of advances made by the General Fund during fiscal year 2011. The \$34,247 represents advances made by the General Fund during fiscal year 2012 to cover general operations of grant funds which are intended to be repaid in the subsequent fiscal year.

20. ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2012, the School District prepared its financial report on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities 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.

21. BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (modified cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the modified cash basis for the general fund is as follows:

Net change in Fund Balance	
	Advances In
Budget basis	\$484,681
Funds budgeted elsewhere**	(140,131)
Adjustment for encumbrances	131,297
Cash Basis	\$475,847

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This included the public support fund, rotary high school fund and unclaimed monies fund.

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND DISBURSEMENTS
FOR YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Cash Assistance:						
School Breakfast Program		10.553	\$5,791		\$5,791	
Non-Cash Assistance (food distribution)						
National School Lunch Program		10.555		\$56,163		\$56,163
Cash Assistance:						
National School Lunch Program		10.555	124,064		124,064	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>129,855</u>	<u>56,163</u>	<u>129,855</u>	<u>56,163</u>
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through Ohio Department of Education)</i>						
Special Education_Grants to States	2012	84.027	263,586		263,586	
	2011		4,850		3,478	
Total Special Education_Grants to States			<u>268,436</u>		<u>267,064</u>	
Title I Cluster:						
Title I Grants to Local Educational Agencies	2012	84.010	81,530		93,328	
Title I Grants to Local Educational Agencies - ARRA	2011	84.389	9,134		2,225	
Total Title I Cluster			<u>90,664</u>		<u>95,553</u>	
Improving Teacher Quality						
	2012	84.367	39,708		39,708	
	2011				5	
Total Improving Teacher Quality			<u>39,708</u>		<u>39,713</u>	
Education Jobs Fund						
	2012	84.410	323,864		323,864	
	2011		83,174		83,174	
Total Education Jobs Fund			<u>407,038</u>		<u>407,038</u>	
21st Century Community Learning Center						
	2012	84.287	90,949		87,934	
	2011		20,917		11,637	
Total 21st Century Community Learning Center			<u>111,866</u>		<u>99,571</u>	
State Fiscal Stabilization Fund - Race-to -Top Incentive Grant - ARRA						
	2012	84.395	15,104		26,063	
Total U.S. Department of Education			<u>932,816</u>		<u>935,002</u>	
Total Federal Assistance			<u>\$1,062,671</u>	<u>\$56,163</u>	<u>\$1,064,857</u>	<u>\$56,163</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 21, 2013, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 21, 2013.

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

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

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

Dave Yost
Auditor of State

February 21, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Coldwater Exempted Village School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Coldwater Exempted School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal program. The School 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 opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these 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 these requirements.

As described in finding 2012-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding cash management applicable to its Education Jobs Grant major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Coldwater Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The School 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-002 to be a material weakness.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 21, 2013.

The School District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the School 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, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 21, 2013

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.410 – Education Jobs
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2012-001

NONCOMPLIANCE – Not reporting in accordance with Generally Accepted Accounting Principles

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 School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for 2012 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, equity and the disclosures to provide a completed presentation of financial status.

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

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-002
CFDA Title and Number	CFDA #84.410 – Education Jobs
Federal Award Number / Year	FY 2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE/MATERIAL WEAKNESS – Cash Management

34 CFR 80.20 (b)(7) states that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure that receipt of reports on sub-grantees' cash balances and cash disbursements in sufficient time to enable them to prepare completed and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw-downs as close as possible to the time of making disbursement. Grantees must monitor cash draw-downs by their sub-grantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees.

FINDING NUMBER 2012-002
(Continued)

The School District received advance payments of Education Jobs Grant from the Ohio Department of Education. The School District had a draw-down of \$94,863 on 12/29/11 and it was not totally spent until 4/1/12. In addition, the School District had a draw-down of \$144,000 on 10/14/11 and it was not totally spent until 11/30/11; however, the balance was down to \$0 at year-end.

The School District should implement policies and procedures to provide that Federal Funds are not accumulated, but rather, are spent as close as possible to the date of receipt.

Official's Response: I was not aware of the drawdowns completed by the former Treasurer. However, as soon as I became aware of the drawdowns, I expended the funds immediately. From now on, I will review the cash balances of all federal funds at the end of each month to minimize the time period cash is on hand.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	ORC 117.38 and OAC 117-2-03(B) – Preparation and filing of cash basis annual financial report.	No	Repeat as Finding 2012-001

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT
MERCER COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-002	I will review the cash balances of all federal funds at the end of each month to minimize the time period cash is on hand.	September 30, 2012	Michelle Mawer, Treasurer

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COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2013**