

**VILLAGE OF COLDWATER
MERCER COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003**



**Auditor of State
Betty Montgomery**

Village Council
Village of Coldwater
Coldwater, Ohio

We have reviewed the *Independent Auditors' Report* of the Village of Coldwater, Mercer County, prepared by Bastin & Company, LLC, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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BETTY MONTGOMERY
Auditor of State

May 8, 2006

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**VILLAGE OF COLDWATER
MERCER COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Village of Coldwater
Mercer County
610 West Sycamore Street
Coldwater, Ohio 45828

To the Village Council:

We have audited the accompanying financial statements of the Village of Coldwater, Mercer County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2005 on our consideration of the Village'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a white background.

Cincinnati, Ohio
June 28, 2005

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Totals (Memorandum (Only))
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$1,053,247	\$ 83,884	\$ -	\$ -	\$1,137,131
Intergovernmental Receipts	290,540	186,328	-	-	476,868
Special Assessments	-	-	10,798	8,479	19,277
Fines, Licenses and Permits	5,085	3,135	345	-	8,565
Interest Receipts	3,971	38	1,452	61	5,522
Miscellaneous	<u>41,552</u>	<u>148,906</u>	<u>-</u>	<u>2,504</u>	<u>192,962</u>
Total Cash Receipts	<u>1,394,395</u>	<u>422,291</u>	<u>12,595</u>	<u>11,044</u>	<u>1,840,325</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	463,267	64,000	-	-	527,267
Public Health Services	14,364	-	-	-	14,364
Community Environment	-	7,186	-	3,975	11,161
Transportation	-	606,731	-	-	606,731
General Government	326,697	2,682	-	-	329,379
Capital Outlay	307,128	184,662	-	10,155	501,945
Debt Service:					
Principal payments	4,000	-	196,124	39,155	239,279
Interest payments	<u>-</u>	<u>-</u>	<u>40,740</u>	<u>6,165</u>	<u>46,905</u>
Total Cash Disbursements	<u>1,115,456</u>	<u>865,261</u>	<u>236,864</u>	<u>59,450</u>	<u>2,277,031</u>
Total Receipts Over (Under) Disbursements	<u>278,939</u>	<u>(442,970)</u>	<u>(224,269)</u>	<u>(48,406)</u>	<u>(436,706)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from Sale of Notes	250,000	55,000	-	-	305,000
Proceeds from Special Assessment Bonds	-	-	32,304	-	32,304
Proceeds from Sale of Fixed Assets	-	-	-	25,830	25,830
Operating Transfers - In	-	308,355	220,995	20,920	550,270
Operating Transfers - Out	<u>(502,245)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(502,245)</u>
Total Other Financing Receipts (Disbursements)	<u>(252,245)</u>	<u>363,355</u>	<u>253,299</u>	<u>46,750</u>	<u>411,159</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	26,694	(79,615)	29,030	(1,656)	(25,547)
Fund Cash Balance, January 1	<u>26,089</u>	<u>(124,143)</u>	<u>17,803</u>	<u>1,689</u>	<u>(78,562)</u>
Fund Cash Balance, December 31	<u>\$ 52,783</u>	<u>(\$203,758)</u>	<u>\$ 46,833</u>	<u>\$ 33</u>	<u>(\$104,109)</u>
Reserves for Encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>		Totals
	<u>Enterprise</u>	<u>Internal Service</u>	(Memorandum Only)
<i>Operating Cash Receipts:</i>			
Charges for Services	\$998,258	\$184,220	\$1,182,478
Miscellaneous	<u>69,351</u>	<u>68</u>	<u>69,419</u>
Total Operating Cash Receipts	<u>1,067,609</u>	<u>184,288</u>	<u>1,251,897</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	404,149	195,748	599,897
Contractual Services	2,521	-	2,521
Materials and Supplies	320,279	-	320,279
Capital Outlay	<u>292,144</u>	<u>-</u>	<u>292,144</u>
Total Operating Cash Disbursements	<u>1,019,093</u>	<u>195,748</u>	<u>1,214,841</u>
Operating Income (Loss)	<u>48,516</u>	<u>(11,460)</u>	<u>37,056</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from General Obligation Notes	<u>1,850,000</u>	<u>-</u>	<u>1,850,000</u>
Total Non-Operating Receipts	<u>1,850,000</u>	<u>-</u>	<u>1,850,000</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Service - Principal	<u>(20,233)</u>	<u>-</u>	<u>(20,233)</u>
Total Non-Operating Disbursements	<u>(20,233)</u>	<u>-</u>	<u>(20,233)</u>
Excess of Receipts over (Under) Disbursements Before Inter-fund Transfers	<u>1,878,283</u>	<u>(11,460)</u>	<u>1,866,823</u>
Operating Transfers - Out	(198,425)	-	(198,425)
Operating Transfers - In	<u>150,400</u>	<u>-</u>	<u>150,400</u>
Net Cash Receipts Over (Under) Cash Disbursements	1,830,258	(11,460)	1,818,798
Fund Cash Balance, January 1	<u>224,274</u>	<u>11,470</u>	<u>235,744</u>
Fund Cash Balance, December 31	<u>\$2,054,532</u>	<u>\$ 10</u>	<u>\$2,054,542</u>
Reserves for Encumbrances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Totals (Memorandum (Only))
	General	Special Revenue	Debt Service	Capital Projects	
<i>Cash Receipts:</i>					
Property Tax and Other Local Taxes	\$1,030,489	\$ 85,952	\$ 8,841	\$ -	\$1,125,282
Intergovernmental Receipts	239,358	228,015	-	-	467,373
Special Assessments	-	-	37,482	10,292	47,774
Fines, Licenses and Permits	5,735	1,384	-	-	7,119
Interest Receipts	15,950	599	1,844	812	19,205
Miscellaneous	<u>145,724</u>	<u>102,968</u>	<u>-</u>	<u>12,898</u>	<u>261,590</u>
Total Cash Receipts	<u>1,437,256</u>	<u>418,918</u>	<u>48,167</u>	<u>24,002</u>	<u>1,928,343</u>
<i>Cash Disbursements:</i>					
Current:					
Security of Persons and Property	428,082	76,131	-	-	504,213
Public Health Services	13,139	-	-	-	13,139
Community Environment	-	13,231	-	3,705	16,936
Transportation	-	480,109	-	-	480,109
General Government	297,793	2,639	-	-	300,432
Capital Outlay	337,821	304,599	295,276	20,316	958,012
Debt Service:					
Principal payments	4,000	-	1,617,126	205,396	1,826,522
Interest payments	<u>-</u>	<u>-</u>	<u>76,458</u>	<u>14,705</u>	<u>91,163</u>
Total Cash Disbursements	<u>1,080,835</u>	<u>876,709</u>	<u>1,988,860</u>	<u>244,122</u>	<u>4,190,526</u>
Total Receipts Over (Under) Disbursements	<u>356,421</u>	<u>(457,791)</u>	<u>(1,940,693)</u>	<u>(220,120)</u>	<u>(2,262,183)</u>
<i>Other Financing Receipts (Disbursements):</i>					
Proceeds from OPWC loan	80,000	-	-	-	80,000
Proceeds from General Obligation Bonds	-	-	1,693,474	-	1,693,474
Proceeds from Sale of Fixed Assets	-	-	-	28,405	28,405
Operating Transfers - In	-	305,000	212,000	172,591	689,591
Operating Transfers - Out	<u>(641,891)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(641,891)</u>
Total Other Financing Receipts (Disbursements)	<u>(561,891)</u>	<u>305,000</u>	<u>1,905,474</u>	<u>200,996</u>	<u>1,849,579</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements	(205,470)	(152,791)	(35,219)	(19,124)	(412,604)
Fund Cash Balance, January 1,	<u>231,559</u>	<u>28,648</u>	<u>53,022</u>	<u>20,813</u>	<u>334,042</u>
Fund Cash Balance, December 31,	<u>\$ 26,089</u>	<u>(\$124,143)</u>	<u>\$ 17,803</u>	<u>\$ 1,689</u>	<u>(\$78,562)</u>
Reserves for Encumbrances, December 31,	<u>\$ 468</u>	<u>\$ 385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 853</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
COMBINED STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<i>Operating Cash Receipts:</i>			
Charges for Services	\$ 992,289	\$174,000	\$1,166,289
Miscellaneous	<u>54,035</u>	<u>-</u>	<u>54,035</u>
Total Operating Cash Receipts	<u>1,046,324</u>	<u>174,000</u>	<u>1,220,324</u>
<i>Operating Cash Disbursements:</i>			
Personnel Services	412,072	162,530	574,602
Contractual Services	12,069	-	12,069
Materials and Supplies	369,956	-	369,956
Capital Outlay	<u>515,935</u>	<u>-</u>	<u>515,935</u>
Total Operating Cash Disbursements	<u>1,310,032</u>	<u>162,530</u>	<u>1,472,562</u>
Operating Income (Loss)	<u>(263,708)</u>	<u>11,470</u>	<u>(252,238)</u>
<i>Non-Operating Cash Receipts:</i>			
Proceeds from OPWC Loan	<u>154,660</u>	<u>-</u>	<u>154,660</u>
Total Non-Operating Receipts	<u>154,660</u>	<u>-</u>	<u>154,660</u>
<i>Non-Operating Cash Disbursements:</i>			
Debt Service - Principal	<u>(16,367)</u>	<u>-</u>	<u>(16,367)</u>
Total Non-Operating Disbursements	<u>(16,367)</u>	<u>-</u>	<u>(16,367)</u>
Excess of Receipts over (Under) Disbursements Before Inter-fund Transfers	<u>(125,415)</u>	<u>11,470</u>	<u>(113,945)</u>
Operating Transfers - In	142,300	-	142,300
Operating Transfers - Out	<u>(190,000)</u>	<u>-</u>	<u>(190,000)</u>
Net Cash Receipts Over (Under) Cash Disbursements	(173,115)	11,470	(161,645)
Fund Cash Balance, January 1	<u>397,389</u>	<u>-</u>	<u>397,389</u>
Fund Cash Balance, December 31	<u>\$ 224,274</u>	<u>\$ 11,470</u>	<u>\$ 235,744</u>
Reserves for Encumbrances, December 31	<u>\$ 385</u>	<u>\$ -</u>	<u>\$ 385</u>

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

**VILLAGE OF COLDWATER
MERCER COUNTY
NOTES TO THE FINANCIAL STATEMENT
December 31, 2004 And 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

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

3. Debt Service Fund

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

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

4. Capital Project Funds

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

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

5. Proprietary Funds

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

Enterprise Funds

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

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

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

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

Internal Service Fund

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. Total Columns on Financial Statements

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

Deposits:	<u>2004</u>	<u>2003</u>
Demand deposits	\$78,861	\$82,673
Certificates of deposit	<u>1,700,000</u>	<u>-</u>
Total deposits	<u>1,778,861</u>	<u>82,673</u>
Investments:		
U.S. government securities	\$100,000	\$35,000
Special assessment bonds	54,712	29,336
Star Ohio	<u>16,860</u>	<u>10,173</u>
Total investments	<u>171,572</u>	<u>74,509</u>
 Total deposits and investments	 <u><u>\$1,950,433</u></u>	 <u><u>\$157,182</u></u>

Deposits:

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

Investments:

U.S. government securities, consisting of FHLB notes in 2003 and FHLB Bonds in 2004, are held in book-entry form by the Federal Reserve, in the name of the Village’s financial institution. The financial institution maintains records identifying the Village as owner of these securities.

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,592,172	\$1,644,395	\$52,223
Special Revenue	1,009,685	785,646	(224,039)
Debt Service	264,986	265,894	908
Capital Projects	121,200	57,794	(63,406)
Enterprise	3,117,200	3,068,009	(49,191)
Internal Service	195,770	184,288	(11,482)
Total	\$6,301,013	\$6,006,026	(\$294,987)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,618,232	\$1,617,701	\$531
Special Revenue	866,880	865,261	1,619
Debt Service	236,867	236,864	3
Capital Projects	59,475	59,450	25
Enterprise	3,513,525	1,237,751	2,275,774
Internal Service	195,750	195,748	2
Total	\$6,490,729	\$4,212,775	\$2,277,954

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,475,120	\$1,517,256	\$42,136
Special Revenue	915,929	723,918	(192,011)
Debt Service	1,916,446	1,953,641	37,195
Capital Projects	188,982	224,998	36,016
Enterprise	1,017,062	1,343,284	326,222
Internal Service	173,000	174,000	1,000
Total	\$5,686,539	\$5,937,097	\$250,558

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,723,551	\$1,723,194	\$357
Special Revenue	949,113	877,094	72,019
Debt Service	1,988,860	1,988,860	0
Capital Projects	244,122	244,122	0
Enterprise	1,516,802	1,516,784	18
Internal Service	173,000	162,530	10,470
Total	\$6,595,448	\$6,512,584	\$82,864

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$1,850,000	2.68%
General Purpose Obligation Bonds	1,390,000	1.2% to 3.55%
General Obligation Note-Muni. Center	250,000	1.90%
Ohio Public Works Loan-Hardin Creek	150,000	0.00%
Ohio Public Works Loan-NW Sanitary Sewer	143,061	0.00%
Ohio Public Works Loan-Main Street	68,000	0.00%
Special Assessment Bonds	59,914	3.00 to 5.50%
Industrial Park Acquisition Bonds	56,390	8.0 to 11.0%
General Obligation Note-Bulldozer	55,000	3.00%
Total	<u>\$4,022,365</u>	

During 2004 the Village issued a \$1,850,000 Waterworks System Bond Improvement Note to pay costs of improving the municipal waterworks system. The Note matures on March 22, 2005 and bears an interest rate of 2.68 percent.

During 2004, the Village issued a \$250,0000 General Obligation Note to pay for the cost of renovations to the Municipal Building. The Note matures on April 26, 2005 and bears an interest rate of 1.9 percent.

During 2004, the Village issued a General Obligation Note for the acquisition of a bulldozer totaling \$55,000. The Note matures on September 14, 2005 and bears an interest rate of 3.0 percent.

During 2004 the Village issued a special assessment bonds for the East Main Street Improvement project totaling \$32,304. The bonds bear interest at 3.0 percent and are to be retired over ten years beginning in 2005. In prior years, the Village has issued various special assessment bonds for sidewalk, street and downtown improvement projects. Principal retirements on all special assessment bonds during 2004 and 2003 amounted to \$12,123 and \$12,126, respectively.

During 2003 the Village issued \$1,755,000 Various Purpose General Purpose Obligation Bonds and received proceeds of \$1,693,474 after issuance costs. Proceeds from the bonds were used to retire \$1,420,000 of General Purpose Obligation Bonds originally issued in 1991 for the construction of a new wastewater treatment plant. Proceeds were also used for the purchase of the Village's Municipal Building. The 2003 bonds bear interest ranging from 1.2 percent to 3.55 percent and mature in varying amounts from \$180,000 in 2005 to \$215,000 through 2011. Principal retirements during 2004 and 2003 amounted to \$185,000 and \$180,000, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$154,660 for the Northwest Sanitary Sewer Trunk project. The loan requires semi-annual payments of \$3,867 through 2023. Principal retirements during 2004 and 2003 amounted to \$7,733 and \$3,867, respectively.

During 2003 the Village received an interest free loan from the Ohio Public Works Commission totaling \$80,000 for the Main Street Reconstruction project. The loan requires semi-annual payments of \$4,000 through 2013.

Prior to 2003, the Village received an interest free loan from the Ohio Public Works Commission for the Hardin Creek Water Line Improvement project. The loan requires semi-annual payments of \$6,250 through 2016.

Prior to 2003, the Village issued the Industrial Park Acquisition Bonds for an industrial park project. Bonds are retired annually based on parcel(s) sold or maturity dates of remaining bonds. The Village has paid additional amounts beyond amounts scheduled for retirement based on the bond agreement. Principal retirements during 2004 and 2003 amounted to \$39,155 and \$157,396, respectively.

Prior to 2003, the Village issued General Obligation Bonds for the acquisition of a fire truck. The Village retired the remaining balance of \$48,000 during 2003.

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

Year	General Obligation Notes	General Purpose Bonds	Municipal Center Note	OPWC Loans	Special Assessments	Industrial Park Acquisition	Bulldozer Note
2005	\$1,862,395	\$221,427	\$254,750	\$28,233	\$15,917	\$42,390	\$56,650
2006	0	223,653	0	28,233	10,108	14,706	0
2007	0	220,138	0	28,233	9,758	0	0
2008	0	212,931	0	28,233	8,493	0	0
2009	0	220,563	0	28,233	5,290	0	0
2010-2014	0	447,195	0	129,165	19,016	0	0
2015-2019	0	0	0	63,665	0	0	0
2020-2024	0	0	0	30,932	0	0	0
Total	<u>\$1,862,395</u>	<u>\$1,545,907</u>	<u>\$254,750</u>	<u>\$364,927</u>	<u>\$68,582</u>	<u>\$57,096</u>	<u>\$56,650</u>

7. COMPLIANCE

- A. Ohio Rev. Code, Section 5705.10, provides that money paid into any fund shall be used only for purposes for which such fund is established. As of December 31, 2004, the Village had a deficit cash balance of \$222,171 in the Special Revenue, Street Maintenance and Repair Fund. As of December 31, 2003 this fund had a deficit cash balance of \$131,845. A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.
- B. Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

Appropriations exceeded estimated resources in the following funds during 2004:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Street Maintenance and Repair Fund	742,460	743,545	(1,470)
Special Purpose Fund	2,815	2,870	(55)
Water Improvement Fund	1,989,324	2,410,150	(420,826)
Park Operations Fund	253,151	253,485	(334)

Appropriations exceeded estimated resources in the following funds during 2003

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$1,706,679	\$1,723,551	(\$16,872)
State Highway Fund	17,384	18,000	(616)
Fire Levy Fund	91,710	92,480	(770)
Special Purpose Fund	1,500	2,650	(1,150)
Tree Commission Fund	8,708	13,231	(4,523)
General Bond Retirement Fund	1,899,718	1,915,010	(15,292)
Special Assessment Fund	69,750	73,850	(4,100)
Sidewalk Project Fund	26,970	28,250	(1,280)
Industrial Development Fund	141,870	176,592	(34,722)
Water Fund	283,724	298,495	(14,771)
Sewer Fund	229,992	265,787	(35,795)
Sewer Improvement Fund	348,003	369,870	(21,867)
Storm Sewer Improvement Fund	187,800	196,380	(8,580)
Park Operations Fund	203,932	248,410	(44,478)

8. INTERFUND TRANSACTIONS

The Village had the following interfund transactions:

<u>Fund Type/Fund</u>	<u>Year Ended December 31,</u> <u>2004</u>		<u>Year Ended December 31,</u> <u>2003</u>	
	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$502,245	\$ -	\$641,891
Special Revenue Funds				
Street Maintenance and Repair	300,000	-	300,000	-
Police Block Grant	1,655	-	-	-
Tree Commission	6,700	-	5,000	-
Debt Service Funds				
General Bond Retirement	219,675	-	212,000	-
Special Assessment Bond Retirement	1,320	-	-	-
Capital Projects Funds				
Industrial Development	20,920	-	144,500	-
Fire Truck Acquisition	-	-	28,091	-
Enterprise funds				
Water Improvement	-	10,000	-	10,000
Sewer Improvement	-	188,425	-	180,000
Storm Sewer	7,000	-	-	-
Parks	<u>143,400</u>	<u>-</u>	<u>142,300</u>	<u>-</u>
Total	<u>\$700,670</u>	<u>\$700,670</u>	<u>\$831,891</u>	<u>\$831,891</u>

Transfers from the General Fund to other funds were made to provide operating funds as needed. Transfers from Enterprise Funds were made to the General Bond Retirement Fund to reimburse for the Water and Sewer Fund portions of general obligation bond payments.

9. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F Fund). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OP&F members contributed 10 percent of their wages to the OP&F Fund. The Village contributed an amount equal to 19.5 percent of their wages. PERS members contributed 8.5 percent of their gross salaries. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

10. RISK MANAGEMENT

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained Earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>
<u>Property coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 3,652,970	\$ 3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained Earnings	<u>\$ 3,108,199</u>	<u>\$ 2,366,752</u>

The Village also provides medical and life insurance coverage for full-time employees through a commercial carrier.

11. SUBSEQUENT EVENTS

In 2005 the Village issued \$2,400,000 of General Obligation Various Purpose Improvement Bonds and used the proceeds to retire \$1,850,000 of General Obligation Notes, \$250,000 of Municipal Center General Obligation Notes and provide \$300,000 in funding for various purposes. The bonds carry an interest rate of 4.25% and mature in varying amounts through 2025. In addition, during 2005 the Village obtained a \$500,000 interest free loan from OPWC for a water treatment plant project with semi-annual payments of \$12,500 through 2025.

Bastin & Company, LLC

Certified Public Accountants

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

Village of Coldwater
Mercer County
610 West Sycamore Street
Coldwater, Ohio 45828

To the Village Council:

We have audited the accompanying financial statements of the Village of Coldwater, Mercer County, Ohio (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 28, 2005 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village in a separate letter dated June 28, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2004-1 and 2004-2.

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

Bastin & Company, LLC

Cincinnati, Ohio

June 28, 2005

**VILLAGE OF COLDWATER
MERCER COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number 2004 – 01

Noncompliance Citation – Negative Cash Balances

Ohio Rev. Code, Section 5705.10 provides that money paid into any fund shall be used only for purposes for which such fund is established. As of December 31, 2004, the Village had a deficit cash balance of \$222,171 in the Special Revenue, Street Maintenance and Repair Fund. As of December 31, 2003 this fund had a deficit cash balance of \$131,845. A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.

Village of Coldwater’s Response

We agree with the citation. We would like to point out that while there was a deficit cash balance, it was done with the knowledge of Village Council. There were several major street projects that came together and unfortunately, the necessary cash flow in the Street M & R Fund did not exist. The decision then, was to either not do the projects, make numerous advances from several funds to the Street M & R Fund which would then require more than a dozen paybacks, or do the projects which improve the community and run the fund to a negative balance and then allow the fund to return to a normal condition in a couple of years.

Subsequent information available after this audit time period shows the Street M & R deficit at the end of 2005 to be reduced to \$89,002 and at the end of 2006 the deficit should be completely erased.

Finding Number 2004 – 02

Noncompliance Citation – Appropriations Exceeding Estimated Resources Available

Ohio Rev. Code, Section 5705.39 states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

Appropriations exceeded estimated resources in the following funds during 2004:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
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Park Operations Fund	203,932	248,410	(44,478)

Procedures should be implemented to ensure that approved appropriations do not exceed estimated resources available.

Village of Coldwater's Response

For 2004, it appears that an error was made in the preparation of the revised certificate of estimate resources. Estimated resources on the certificate were computed based on actual expenditures instead of approved appropriations. In each of these instances, the total on the final certificate exceeded actual expenditures but did not exceed the approved appropriations.

For 2003, it appears that an adjustment to the certificate of estimated resources was not made.

**VILLAGE OF COLDWATER
MERCER COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings reported in the prior audit report.



**Auditor of State
Betty Montgomery**

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VILLAGE OF COLDWATER

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 18, 2006**