



Mary Taylor, CPA  
Auditor of State



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

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# Mary Taylor, CPA

Auditor of State

## 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 District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Mary Taylor, CPA**  
Auditor of State

December 3, 2007

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

The discussion and analysis of the Coldwater Exempted Village School District's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- General Receipts accounted for \$12,328,742 in receipts or 77% of all receipts. Program specific receipts in the form of charges for services, grants, and contributions accounted for \$3,759,332 or the other 23% of total receipts of \$16,088,074.
- Total program disbursements were \$18,940,135.
- Outstanding bonded debt decreased from \$10,806,298 to \$10,360,366 through the payment of loan and bond principal amounts.

**Using this Annual Report**

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

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

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

**Basis of Accounting**

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(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 2007?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

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

**Fund Financial Statements**

The analysis of the School District's major fund begins on page 13. 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 the OSFC Building fund.

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

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

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

**The School District as a Whole**

This year's financial statements were prepared on the cash basis utilizing the GASB Statement No. 34 presentation. Table 1 provides a summary of the School District's net assets for 2007 and 2006, comparatively:



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

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

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 5,351,354	\$ 8,203,415
<b>Total Assets</b>	<b>\$ 5,351,354</b>	<b>\$ 8,203,415</b>
<b>Net Assets</b>		
Restricted:		
Capital Outlay	\$ 1,530,973	\$ 4,873,500
Debt Service	614,248	487,305
Other Purposes	836,718	732,052
Unrestricted	2,369,415	2,110,558
<b>Total Net Assets</b>	<b>\$ 5,351,354</b>	<b>\$ 8,203,415</b>

Table 2 shows the changes in net assets for fiscal years 2007 and 2006.

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

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services	\$ 886,931	\$ 803,241
Operating Grants	1,398,397	1,223,514
Capital Grants	1,474,004	1,086,796
<b>General Receipts</b>		
Property and Income Taxes	4,753,430	4,686,903
Payments in lieu of Taxes	83,297	97,291
Grants and Entitlements	7,241,236	7,119,517
Proceeds from Sale of Capital Assets	37,345	31,515
Interest	207,072	346,774
Miscellaneous	6,362	78,758
<b>Total Receipts</b>	<b>16,088,074</b>	<b>15,474,309</b>
<b>Program Disbursements</b>		
Instruction	8,244,317	7,679,585
Support Services	3,757,756	3,479,817
Non-Instructional	489,851	417,328
Extracurricular	606,845	566,928
Capital Outlay	4,695,867	9,049,183
Debt Service	1,145,499	1,141,059
<b>Total Disbursements</b>	<b>18,940,135</b>	<b>22,333,900</b>
<b>Decrease in Net Assets</b>	<b>(\$2,852,061)</b>	<b>\$ (6,859,591)</b>

Several receipt sources fund the School District's governmental activities with grants and entitlements being the largest contributor. Grants and entitlements generated approximately \$7.2 million in 2007. General receipts from property and income taxes are also a large generator, of \$4.8 million.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

Instruction comprises 44% of governmental program disbursements. Support services disbursements were 20% of governmental program disbursements. Capital outlay disbursements were 25% of governmental program disbursements in fiscal year 2007. All other disbursements, including interest, were 11%.

The decrease in capital outlay disbursement and the overall decrease in the change in net assets, are the result of the completion of the OSFC school building project of the School District.

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 which must be supported by tax receipts and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities**

	<b>2007</b>		<b>2006</b>	
	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>
<b>Instruction</b>	\$ 8,244,317	\$ 6,935,571	\$ 7,679,585	\$ 6,484,946
<b>Support Services:</b>				
Pupil and Instructional Staff	790,967	675,842	713,467	571,393
Board of Education, Administration and Fiscal	1,237,774	1,237,774	1,238,386	1,235,736
Operation and Maintenance of Plant	1,289,178	1,257,476	1,094,308	1,092,127
Pupil Transportation	418,964	402,681	421,666	394,642
Central Services	20,873	15,873	11,990	6,826
Operation of Non-Instructional Extracurricular Activities	489,851	(18,742)	417,328	6,450
Capital Outlay	606,845	300,450	566,928	322,593
Debt Service	4,695,867	3,228,379	9,049,183	7,964,487
Total	<u>1,145,499</u>	<u>1,145,499</u>	<u>1,141,059</u>	<u>1,141,059</u>
<b>Total</b>	<u>\$18,940,135</u>	<u>\$15,180,803</u>	<u>\$22,333,900</u>	<u>\$19,220,349</u>

Instruction and student support services comprise 48% of governmental program disbursements. Board of Education, fiscal and administration charges were 7%. Fiscal disbursements include payments to the County Auditor(s) for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation/maintenance of facilities accounts for 9% of governmental program disbursements.

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

**The School District's Funds**

The School District has three major governmental funds: the general fund, debt service fund and the OSFC building fund. The assets of these funds comprise \$3,731,497, or 70% of the \$5,351,354 in total governmental funds' assets.

**General Fund** - Fund balance at June 30, 2007 was \$2,369,414, including \$1,969,173 of unreserved balance. Unreserved fund balance remained constant as compared to prior year. General fund disbursements for fiscal year 2007 were \$11,376,369, or 60% of total governmental disbursements of \$18,940,135.

**Debt Service Fund** - Fund balance increased \$126,942 during fiscal year 2007 as a result of the decrease in the interest portion of the debt repayment.

**OSFC Building Fund** - Fund balance decreased \$3,206,389 as a result of the capital outlay disbursements for the School District's building project completed during fiscal year 2007.

**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 2007, the School District amended its general fund budget to reflect changing circumstances. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis, actual receipts were \$11,814,515; which was \$254,157 under the final budget estimates of \$12,068,672. Of this decrease, most was attributable to a decrease from estimated intergovernmental receipts. Actual disbursements were \$11,595,579; which was \$576,788 under the final budget estimates of \$12,172,367. Of this decrease, most was attributed to monitored spending.

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

**Set Aside and Debt Administration**

**Set-Aside**

A change in Ohio law requires school districts to set aside 3% of certain receipts for capital improvements and an additional 3% for textbooks (see note 12). For fiscal year 2007, this amounted to \$228,482 for each set aside. The School District has qualifying disbursements and offsets for capital acquisition equaling \$207,116. For the textbooks, the School District disbursed \$171,455 with the remainder scheduled to be carried forward into the 2008 fiscal year. The district fully utilizes both the materials and the equipment set-aside funds for those qualified expenditures.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

**Debt**

At June 30, 2007, the School District's outstanding debt included \$10,194,366 of general obligation bonds issued for improvements to buildings and structures and \$166,000 of a bank loan used to purchase the Junior High building. For additional information regarding the School District's debt, refer to Note 8 to the basic financial statements.

**Current Issues**

There are several large factors that could 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 could mean increased operational costs, depending upon the end product, as well as additional personnel costs to maintain the new building sections.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax receipts growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

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

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)  
(Continued)**

There are major events occurring worldwide that affect our local district operations: changes in federal spending (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 will cause an adjustment in 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. This has been kept in mind as management considers the School District's needs and finances for the coming years.

On the "plus" side, business for the most part seems to be healthy in the Coldwater area. A large retirement community is currently under construction (Briarwood Village), and other smaller businesses are either building or opening business in existing facilities. If this were able to continue and run strong, management sees the local economy picking up the pace and recovering from prior years' losses.

On a positive note, 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 hopefully management will eventually 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. An earlier bond issue--called the "90's Program" for renovations and additions finished in 1990--will soon expire at the end of 2011.

In the fall of 2006, all students returned again at one site. The district had a "learning year" during FY07 as it became accustomed to having operations in the newly-renovated facility in Coldwater.

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

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

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$5,351,354
Total Assets	<u>5,351,354</u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Debt Service	614,248
Capital Outlay	1,530,973
Other Purposes	836,718
Unrestricted	2,369,415
Total Net Assets	<u>\$5,351,354</u>

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Cash Receipts			Net (Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants Contributions and Interest	Receipts and Changes in Net Assets
<b>Governmental Activities</b>					<b>Governmental Activities</b>
<b>Instruction</b>					
Regular	\$6,131,176	\$254,483	\$88,849		(\$5,787,844)
Special	1,467,561		779,257		(688,304)
Vocational Education	645,580		186,157		(459,423)
<b>Support Services</b>					
Pupil	526,304		106,125		(420,179)
Instructional Staff	264,663		9,000		(255,663)
Board of Education	16,796				(16,796)
Administration	917,048				(917,048)
Fiscal	303,930				(303,930)
Operation and Maintenance of Plant	1,289,178	9,849	21,853		(1,257,476)
Pupil Transportation	418,964		9,767	\$6,516	(402,681)
Central	20,873		5,000		(15,873)
Operation of Non-Instruction Services	489,851	335,975	172,618		18,742
Extracurricular Activities	606,845	286,624	19,771		(300,450)
Capital Outlay	4,695,867			1,467,488	(3,228,379)
Debt Service	1,145,499				(1,145,499)
<b>Total Governmental Activities</b>	<b>\$18,940,135</b>	<b>\$886,931</b>	<b>\$1,398,397</b>	<b>\$1,474,004</b>	<b>(15,180,803)</b>
			<b>General Receipts</b>		
			<b>Property Taxes Levied for:</b>		
			General Purposes		3,038,710
			Debt Service		1,069,134
			Building Maintenance		49,450
			Income Taxes		596,136
			Payments in Lieu of Taxes		83,297
			Grants and Entitlements not Restricted to Specific Programs		7,241,236
			Proceeds from Sale of Capital Assets		37,345
			Interest		207,072
			Miscellaneous		6,362
			Total General Receipts		12,328,742
			Change in Net Assets		(2,852,061)
			Net Assets Beginning of Year		8,203,415
			Net Assets End of Year		\$5,351,354

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



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>OSFC Building Fund</u>	<u>All Other Government al Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,338,437	\$614,248	\$747,835	\$1,619,857	\$5,320,377
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>30,977</u>				<u>30,977</u>
Total Assets	<u>2,369,414</u>	<u>614,248</u>	<u>747,835</u>	<u>1,619,857</u>	<u>5,351,354</u>
<b>Fund Balances</b>					
<b>Reserved for:</b>					
Encumbrances	219,210		127,000	93,843	440,053
Budget Stabilization	30,977				30,977
Bus Purchase	7,054				7,054
Unreserved, Designated for Budget Stabilization	143,000				143,000
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	1,969,173				1,969,173
Special Revenue Funds				818,593	818,593
Debt Service Funds		614,248			614,248
Capital Projects Funds			620,835	707,421	1,328,256
Total Fund Balances	<u>\$2,369,414</u>	<u>\$614,248</u>	<u>\$747,835</u>	<u>\$1,619,857</u>	<u>\$5,351,354</u>

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>OSFC Building Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts</b>					
<b>Taxes:</b>					
Property and Other Local Taxes	\$3,038,710	\$1,069,134		\$49,450	\$4,157,294
Income Taxes	596,136				596,136
Intergovernmental	7,710,162	171,400	\$1,396,954	673,135	9,951,651
Interest	207,072		42,680	30,600	280,352
Tuition and Fees	139,857			29,566	169,423
Rent	3,222				3,222
Extracurricular Activities				286,624	286,624
Gifts and Donations				34,070	34,070
Customer Sales and Services	110,555			317,106	427,661
Payments in Lieu of Taxes				83,297	83,297
Miscellaneous	8,801			54,634	63,435
<b>Total Receipts</b>	<b>11,814,515</b>	<b>1,240,534</b>	<b>1,439,634</b>	<b>1,558,482</b>	<b>16,053,165</b>
<b>Disbursements</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	5,913,009			218,167	6,131,176
Special	1,132,746			334,815	1,467,561
Vocational	636,951			8,629	645,580
<b>Support Services:</b>					
Pupils	421,057			105,247	526,304
Instructional Staff	246,001			18,662	264,663
Board of Education	16,796				16,796
Administration	908,748			8,300	917,048
Fiscal	280,101	22,791		1,038	303,930
Operation and Maintenance of Plant	1,102,209			186,969	1,289,178
Pupil Transportation	355,049			63,915	418,964
Central	15,620			5,253	20,873
Operation of Non-Instructional Services				489,851	489,851
Extracurricular Activities	291,721			315,124	606,845
Capital Outlay	1,663		4,644,622	49,582	4,695,867
<b>Debt Service:</b>					
Principal	38,277	407,655			445,932
Interest	16,421	683,146			699,567
<b>Total Disbursements</b>	<b>11,376,369</b>	<b>1,113,592</b>	<b>4,644,622</b>	<b>1,805,552</b>	<b>18,940,135</b>
Excess of Receipts Over (Under) Disbursements	438,146	126,942	(3,204,988)	(247,070)	(2,886,970)
<b>Other Financing Sources (Uses)</b>					
Transfers In				200,000	200,000
Advances In	67,000			49,500	116,500
Proceeds from Sale of Capital Assets	2,791			34,554	37,345
Refund of Prior Year Expenditures	1,319				1,319
Transfers Out	(200,000)				(200,000)
Advances Out	(49,500)			(67,000)	(116,500)
Refund of Prior Year Receipts	(900)		(1,401)	(1,454)	(3,755)
<b>Total Other Financing Sources (Uses)</b>	<b>(179,290)</b>		<b>(1,401)</b>	<b>215,600</b>	<b>34,909</b>
Net Change in Fund Balances	258,856	126,942	(3,206,389)	(31,470)	(2,852,061)
Fund Balance at Beginning of Year	2,110,558	487,306	3,954,224	1,651,327	8,203,415
Fund Balance at End of Year	2,369,414	614,248	747,835	1,619,857	5,351,354
Reserve for Encumbrances	\$219,210	\$0	\$127,000	\$93,843	\$440,053

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Property and Other Local Taxes	\$2,825,000	\$2,962,000	\$3,038,710	\$76,710
Income Taxes	595,000	596,136	596,136	
Intergovernmental	8,002,606	8,078,341	7,710,162	(368,179)
Interest	140,000	178,000	207,072	29,072
Tuition and Fees	139,000	146,620	139,857	(6,763)
Rent	2,500	2,500	3,222	722
Customer Sales and Services	50,000	90,000	110,555	20,555
Miscellaneous	30,075	15,075	8,801	(6,274)
Total Receipts	<u>11,784,181</u>	<u>12,068,672</u>	<u>11,814,515</u>	<u>(254,157)</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	5,985,308	6,105,241	5,950,387	154,854
Special	1,135,429	1,228,944	1,166,852	62,092
Vocational	642,646	680,017	645,638	34,379
Other	50,000	50,000		50,000
<b>Support Services:</b>				
Pupils	455,005	462,880	422,492	40,388
Instructional Staff	257,558	284,714	250,903	33,811
Board of Education	22,348	23,048	17,046	6,002
Administration	995,701	987,426	912,429	74,997
Fiscal	319,540	305,490	281,703	23,787
Operation and Maintenance of Plant	1,049,687	1,233,487	1,195,710	37,777
Pupil Transportation	426,488	416,788	386,717	30,071
Central	31,550	31,550	17,620	13,930
Operation of Food Services	1,500	1,500		1,500
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	38,930	43,130	38,449	4,681
Occupation Oriented Activities	30	21,996	21,995	1
Sport Oriented Activities	226,931	236,906	231,277	5,629
<b>Capital Outlay:</b>				
Building Acquisition and Construction Services	950	1,250	1,663	(413)
<b>Repayment of Debt:</b>				
Principal	48,000	48,000	46,553	1,447
Interest	10,000	10,000	8,145	1,855
Total Disbursements	<u>11,697,601</u>	<u>12,172,367</u>	<u>11,595,579</u>	<u>576,788</u>
Excess of Receipts Over (Under) Disbursements	<u>86,580</u>	<u>(103,695)</u>	<u>218,936</u>	<u>322,631</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,800	2,800		(2,800)
Advances In	35,000	67,000	67,000	
Proceeds from Sale of Capital Assets	2,000	2,763	2,791	28
Refund of Prior Year Expenditures	1,673	1,673	1,319	(354)
Transfers Out	(300,000)	(200,000)	(200,000)	
Advances Out	(75,000)	(75,000)	(49,500)	25,500
Refund of Prior Year Receipts	(900)	(900)	(900)	
Total Other Financing Sources (Uses)	<u>(334,427)</u>	<u>(201,664)</u>	<u>(179,290)</u>	<u>22,374</u>
Net Change in Fund Balances	(247,847)	(305,359)	39,646	345,005
Fund Balance at Beginning of Year	1,901,171	1,901,171	1,901,171	
Prior Year Encumbrances Appropriated	209,387	209,387	209,387	
Fund Balance at End of Year	<u>\$1,862,711</u>	<u>\$1,805,199</u>	<u>\$2,150,204</u>	<u>\$345,005</u>

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2007**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$163,536	\$25,587
Total Assets	163,536	25,587
<b>Net Assets</b>		
Endowment	150,834	
<b>Held in Trust for:</b>		
Scholarships	12,702	
Employees		7,950
Students		17,637
Total Net Assets	\$163,536	\$25,587

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<b><u>Private Purpose Trust</u></b>
<b>Additions</b>	
Gifts and Donations	\$900
Investment Earnings	8,786
Total Additions	<u>9,686</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	14,955
Total Deductions	<u>14,955</u>
Change in Net Assets	(5,269)
Net Assets - Beginning of Year	<u>168,805</u>
Net Assets - End of Year	<u><u>\$163,536</u></u>

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

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**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007**

**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 45 non-certificated employees, 106 certificated employees who provide services to 1,534 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, West Central Ohio Special Education Regional Resource Center, Mercer County Local Professional Development Committee, OASBO/Sheakley Workers' Compensation Group Rating Program, and the Mercer-Auglaize Schools Employee Benefits Trust. These organizations are presented in Notes 13 and 14 of the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

**A. Basis of Accounting**

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

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

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

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

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

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



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

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

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

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

The funds of the financial reporting entity are described below:

**3. Governmental Funds/Governmental Activities**

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

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

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

**OSFC Building Fund** – This fund is used to account for the specific receipts to be used for the new school facility.

**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 liabilities) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities and an employees Section 125 reimbursement account.

**C. Budgetary Process**

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

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

**1. Tax Budget**

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

**2. Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2006 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

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

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 and reported in the notes to the financial statements for proprietary funds.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District Treasurer 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 2007, the School District invested in nonnegotiable certificates of deposits, government securities, and money market accounts.

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 2007 were \$207,072, which includes \$89,770 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 cash basis of accounting used by the School District.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

**H. Long-Term Debt**

Long-term debt arising from 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.
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, 2007, the General Fund had unpaid interfund cash advances, in the amount of \$49,500 for short-term loans made to the Federal Programs/Title I, Title II-A, Title IV-A, Title V and Title VI-B special revenue funds. These are expected to be repaid within one year.

**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.”

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

Net assets restricted for other purposes include resources restricted for public school support programs, athletic programs, employee termination benefits, classroom facilities and maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2007, the following represent the amounts restricted by enabling legislation: classroom facilities and maintenance levy - \$237,831, and bond retirement levy - \$614,248.

**2. Fund Financial Statements**

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

**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, operating and capital grants and contributions and interest.

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

**2. Operating Receipts and Disbursements**

Operating receipts and disbursements result from providing services. They also include all receipts and disbursements not related to capital and related financing, non-capital financing, or investing activities.

**3. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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.
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.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

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 \$5,538,929 and the bank balance was \$5,708,684. Of the bank balance, \$502,823 was covered by federal depository insurance and \$5,205,861 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, 2007 the School District has \$1,548 in undeposited 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  
JUNE 30, 2007  
(Continued)**

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First half distributions are received by the School District in the second half of the fiscal year. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes received in calendar year 2007 represent the collection of calendar year 2006 taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes received in calendar year 2007 were levied after April 1, 2006 on the assessed value listed as of the prior January 1, the lien date. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2007, are available to finance fiscal year 2007 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 2007 taxes were collected are:

	<b>2006 Second-Half Collections</b>		<b>2007 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$106,858,290	89%	\$108,527,490	90%
Public Utility	3,479,670	3	3,468,410	3
Tangible Personal Property	9,829,550	8	8,728,250	7
<b>Total Assessed Value</b>	<b>\$120,167,510</b>	<b>100%</b>	<b>\$120,724,150</b>	<b>100%</b>
<b>Total rate per \$1,000 of assessed valuation</b>	<b>\$55.83</b>		<b>\$55.83</b>	



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**6. PAYMENT IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2007 amounted to \$83,297.

**7. INCOME TAX**

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

**8. DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2007, consisted of the following:

	<b>Principal Outstanding 6/30/06</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/07</b>	<b>Due Within One Year</b>
1990 School Renovation Bonds Rate 6.87%	\$ 475,000	\$0	\$ 40,000	\$ 435,000	\$ 40,000
1993 Refinance Addition Bonds Rate 2.6 – 5.5%	1,287,025	0	112,655	1,174,370	105,553
2002 Ohio School Facility Construction Project Bonds Rate 4.4%	8,839,996	0	255,000	8,584,996	260,000
Asbestos Removal Loan Rate 0%	8,277	0	8,277	0	0
Junior High Loan Rate 4.5%	196,000	0	30,000	166,000	30,000
<b>Total Debt Obligation</b>	<b>\$10,806,298</b>	<b>\$0</b>	<b>\$445,932</b>	<b>\$10,360,366</b>	<b>\$435,553</b>

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

**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.

2002 School Facilities Construction and Improvement Bonds Redemption Provisions:

Current Interest Term bonds maturing December 1, 2027, are subject to mandatory sinking fund redemption at 100% of principal, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

2023	\$420,000
2024	440,000
2025	460,000
2026	480,000

The remaining principal (\$500,000) will be paid at stated maturity on December 1, 2027.

Current Interest Term Bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption at 100% of principal, plus accrued interest to the date of redemption, on December 1 in the years and amounts as follows:

2028	\$525,000
2029	550,000

The remaining principal amount (\$575,000) will be paid at stated maturity on December 1, 2030.

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

Interest on the Capital Appreciation Bonds will accrue from the date of delivery until maturity. Interest will compound semiannually (Interest Accretion dates) but will be payable at maturity. The Capital Appreciation Bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$620,000. The accreted amount for fiscal year 2007 was \$18,536, and the amount of the bonds outstanding including accreted interest at June 30, 2007 is \$467,571.

**Asbestos Removal Loan** - On May 17, 1991, the School District obtained a loan in the amount of \$128,683 for the purpose of providing asbestos removal for the Coldwater Exempted Village School District, under the authority of Ohio Revised Code section 3317.22. The loan was issued for a twenty fiscal year period and matured during fiscal year 2007. The debt was retired from the General Fund.

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

The annual requirements to amortize all debt outstanding as of June 30, 2007 are as follows:

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

Fiscal year Ending June 30,	1990 Bonds Principal	1993 Bonds Principal	2002 Bonds Principal	Junior High Loan Principal	Interest	Total
2008	\$ 40,000	\$ 105,553	\$ 260,000	\$ 30,000	\$ 689,395	\$ 1,124,948
2009	45,000	98,705	265,000	32,000	686,017	1,126,722
2010	50,000	92,853	275,000	33,000	680,248	1,131,101
2011	50,000	87,259	280,000	35,000	672,962	1,125,221
2012	55,000	385,000	290,000	36,000	355,876	1,121,876
2013-2017	195,000	405,000	1,069,996	0	1,960,186	3,630,182
2018-2022	0	0	1,790,000	0	1,180,898	2,970,898
2023-2027	0	0	2,205,000	0	758,067	2,963,067
2028-2031	0	0	2,150,000	0	204,594	2,354,594
Total	<u>\$ 435,000</u>	<u>\$ 1,174,370</u>	<u>\$ 8,584,996</u>	<u>\$ 166,000</u>	<u>\$ 7,188,243</u>	<u>\$ 17,548,609</u>

**9. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2007, 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 \$48,835,062 (increased with new presentation of statement of values each fall). Commercial auto insurance is covered by the Indiana Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. There has been no significant reduction in insurance coverage from fiscal year 2006, and no insurance settlement has exceeded insurance coverage during the last three years.

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

**B. Health Care Benefits**

The School District participates in the Mercer/Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and an educational service center. The School District pays monthly premiums to the Trust for employee medical and dental benefits. The Trust is responsible for the management and operations of the program.

Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of the withdrawal.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

**C. Workers' Compensation**

The School District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**10. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides basic retirement and disability benefits based on eligible service credit to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combine Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. Members of 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.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$768,039, \$735,730, and \$739,973, respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$5,822 made by the School District and \$12,576 made by the plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their website at [www.ohsers.org](http://www.ohsers.org).

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 School District 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$134,381, \$127,715, and \$118,229 respectively.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System of Ohio or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**11. POST EMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$57,781 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$64,347.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**12. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**12. STATUTORY RESERVES (Continued)**

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>	<b>Budget Stabilization</b>
Set-Aside Cash Balance as of June 30, 2006	(\$126,442)		\$30,977
Required Set-Aside	228,482	\$ 228,482	
Current Year Offsets (Not Available for Carry Forward)	0	(49,450)	
Qualifying Expenditures	(171,455)	(157,666)	
Total	(69,415)	21,366	30,977
Set-Aside Balance Carried Forward to FY 2008	(\$ 69,415)		\$30,977
Prior Year Offsets - Available for Carry Forward		(8,863,546)	
Offset Balance Carried Forward to FY 2008		(\$8,842,180)	

The School District had qualifying disbursements during the year that reduced the Textbook set-aside amount to below zero. Ohio Revised Code Section 3315.17 allows for the extra amount to carry over into future years for textbooks. For capital acquisitions, the extra amount (Prior Year Offsets), which was the result of capital disbursements from bond or note proceeds, was used to reduce the set aside requirements of future years. The Budget Stabilization set-aside above represents the portion designated from workers compensation refunds. The Board has designated an additional \$143,000 for budget stabilization.

**13. JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

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

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

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

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

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

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

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

**14. GROUP PURCHASING POOL**

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

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

**15. DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust fund includes donor-restricted endowments. Net Assets - Endowments of \$150,834 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 \$12,702 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  
JUNE 30, 2007  
(Continued)**

**16. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**17. INTERFUND TRANSFERS**

During fiscal year 2007, the School District made transfers between funds as follows:

	<b>Transfers-In</b>	<b>Transfers-Out</b>
<b>Governmental:</b>		
General Fund	\$ 0	\$200,000
All Other Governmental Funds	200,000	0
<b>Total Governmental</b>	<b>\$200,000</b>	<b>\$200,000</b>

During fiscal year 2007, \$200,000 was transferred to the Termination Benefits Fund to cover obligations of that fund.

**18. INTERFUND ADVANCES**

During fiscal year 2007, the School District made advances between funds as follows:

	<b>Advances-In</b>	<b>Advances-Out</b>
<b>Governmental:</b>		
General Fund	\$ 67,000	\$ 49,500
All Other Governmental Funds	49,500	67,000
<b>Total Governmental</b>	<b>\$116,500</b>	<b>\$116,500</b>

Of the \$116,500 in Advances in fiscal year 2007, \$67,000 represents the amounts that were repayments of advances made from the general fund in fiscal year 2006. The other \$49,500 represents advances made to cover general operations of grant funds. These advances are intended to be repaid in the subsequent fiscal year.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007  
(Continued)**

**19. CONTRACTUAL COMMITMENTS**

At June 30, 2007 the School District had the following outstanding contractual commitments for the building construction project and bus purchase:

<b>Contractor/Vendor</b>	<b>Amount</b>	<b>Description</b>
Fanning Howey	\$50,599	Building Program
Frost & Company	23,958	Building Program
Sun Technologies	28,503	Building Program
Data Eclipse	6,502	Building Program
Elements IV Interiors	3,402	Building Program
ESCO Technologies	8,426	Building Program
Lorenz Williams	3,500	Building Program

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Food Distribution Program	N/A	10.550		\$44,390		\$44,390
Nutrition Cluster:						
Breakfast Program	045310 05PU 2006	10.553	\$1,106		\$1,106	
	045310 05PU 2007		3,105		3,105	
			4,211		4,211	
National School Lunch Program	045310 LLP4 2006	10.555	24,574		24,574	
	045310 LLP4 2007		76,139		76,139	
			100,713		100,713	
Total Nutrition Cluster			104,924		104,924	
Total U.S. Department of Agriculture			104,924	44,390	104,924	44,390
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Special Education_Grants to States	045310 6BSF 2006	84.027			154	
	045310 6BSF 2007		318,850		305,169	
Total Special Education Grants to States			318,850		305,323	
Title I Grants to Local Educational Agencies	045310 C1-S1 2006	84.010	4,844		15,164	
	045310 C1-S1 2007		111,918		111,704	
Total Title I Grants			116,762		126,868	
Improving Teacher Quality State Grant	45310 TRS1 2005	84.367				
	45310 TRS1 2007		40,244		43,763	
Total Improving Teacher Quality State Grant			40,244		43,763	
Safe and Drug-Free School and Communities	045310 DRS1 2007	84.186	4,545		4,545	
	045310 DRS1 2006				209	
Total Safe and Drug-Free School and Communities			4,545		4,754	
Innovative Education Program Strategies	045310 C2S1 2006	84.298	520		310	
	045310 C2S1 2007		3,956		1,876	
Total Innovative Education Program Strategies			4,476		2,186	
Technology Literacy Challenge Grant	45310 TJS1 2006	84.318	(75)			
	45310 TJS1 2007		1,252		666	
Total Technology Literacy Challenge Grant			1,177		666	
Total U.S. Department of Education			486,054		483,560	
<b>Total Federal Assistance</b>			<b>\$590,978</b>	<b>\$44,390</b>	<b>\$588,484</b>	<b>\$44,390</b>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION PROGRAM**

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

**NOTE C - NUTRITION CLUSTER PROGRAM**

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

**NOTE D – TECHNOLOGY LITERACY GRANT**

The negative receipt shown in the Technology Literacy Grant is the result of the transfer of unused 2006 year grant funds to the 2007 year program.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Coldwater Exempted Village School District, Mercer County, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2007, wherein we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the District's management in a separate letter dated December 3, 2007.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 3, 2007.

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

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



**Mary Taylor, CPA**  
Auditor of State

December 3, 2007



# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Coldwater Exempted Village School District, Mercer County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Coldwater Exempted Village School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

#### Internal Control Over Compliance

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**Internal Control Over Compliance  
(Continued)**

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

December 3, 2007



**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

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

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

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

**FINDING NUMBER 2007-001**

**NONCOMPLIANCE CITATION**

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.

**FINDING NUMBER 2007-001  
(Continued)**

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

The District should prepare their annual financial reports in accordance with generally accepted accounting principles.

**Client 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.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	ORC 117.38 and OAC 117-2-03 (B) – Preparation and filing of cash basis annual financial report.	No	Repeated as finding 2007-001





**Mary Taylor, CPA**  
Auditor of State

**COLDWATER EXEMPTED VILLAGE SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 15, 2008**