



**Auditor of State
Betty Montgomery**

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Celina City School District
Mercer County
585 East Livingston Street
Celina, Ohio 45822

To the Board of Education:

We have audited the accompanying financial statements of the Celina City School District, Mercer County, (the School District), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to file annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Celina City School District, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

As described in Note 3, for the year ended June 30, 2003, the School District changed its basis of accounting for financial reporting.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

February 2, 2004

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts						
Property Taxes	\$8,163,827		\$1,184,603			\$9,348,430
Income Taxes	1,598,180		173,500			1,771,680
Tuition	1,148,027					1,148,027
Transportation Fees	6,421					6,421
Intergovernmental	11,375,285	\$2,512,148	144,862	\$10,232		14,042,527
Earnings on Investments	149,927	15,930	8,495	8,591	\$1,069	184,012
Extracurricular Activities		445,573				445,573
Classroom Materials & Fees	222,408					222,408
Payment in Lieu of Taxes				86,223		86,223
Gifts and Donations		2,309			18,000	20,309
Miscellaneous	212,539	426,824				639,363
Total Cash Receipts	22,876,614	3,402,784	1,511,460	105,046	19,069	27,914,973
Cash Disbursements						
Current:						
Instruction:						
Regular	11,645,520	698,834		16,228		12,360,582
Special	2,182,240	756,320		9,795		2,948,355
Vocational	1,184,136	64,464		11,316		1,259,916
Adult / Continuing		52,792				52,792
Other	263,126	46,087				309,213
Support Services:						
Pupils	1,399,114	400,614		6,954		1,806,682
Instruction	736,481	249,067				985,548
Board of Education	101,659			1,200		102,859
Administration	1,845,233	193,216				2,038,449
Fiscal	545,478	2,000	28,156			575,634
Business	113,627	6,835		33,753		154,215
Operation and Maintenance	2,271,443	84,105				2,355,548
Transportation	896,427	253,303		3,473		1,153,203
Central Services	140	17,837				17,977
Operation of Non-Instructional Services		260,805			16,517	277,322
Extracurricular Activities	513,992	182,918				696,910
Capital Outlay	1,440			38,590		40,030
Debt Service: Principal		3,770	653,896			657,666
Debt Service: Interest			802,032			802,032
Total Cash Disbursements	23,700,056	3,272,967	1,484,084	121,309	16,517	28,594,933
Excess (Deficiency) of Receipts Over (Under) Disbursements	(823,442)	129,817	27,376	(16,263)	2,552	(679,960)
Other Financing Sources (Uses):						
Other Financing Sources		24,562				24,562
Sale of Fixed Assets	118					118
Refund of Prior Year Expenditures	76,715	19,606		3,002	3,262	102,585
Refund of Prior Year Receipts	(22)	(33)				(55)
Advances In	232,208	340,692				572,900
Advances Out	(345,492)	(225,908)			(1,200)	(572,600)
Operating Transfers In		84,613				84,613
Operating Transfers Out	(84,613)					(84,613)
Total Other Financing Sources (Uses)	(121,086)	243,532		3,002	2,062	127,510
Excess (Deficiency) of Receipts and Other Sources Over (Under) Disbursements and Other Uses	(944,528)	373,349	27,376	(13,261)	4,614	(552,450)
Fund Cash Balances at Beginning of Year	5,760,617	1,295,186	390,835	687,881	126,376	8,260,895
Fund Cash Balances at End of Year	\$4,816,089	\$1,668,535	\$418,211	\$674,620	\$130,990	\$7,708,445

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Type	Fiduciary Funds	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Sales	\$830,842		\$830,842
Tuition	49,798		49,798
Charges for Services	30,216		30,216
Customer Services		\$772,918	772,918
Extracurricular Activities		263,091	263,091
Other	18,149	3,385	21,534
Total Operating Cash Receipts	929,005	1,039,394	1,968,399
Operating Cash Disbursements			
Salaries	449,460	142,172	591,632
Fringe Benefits	267,872	103,930	371,802
Purchased Services	110,473	452,904	563,377
Materials and Supplies	329,431	7,650	337,081
Capital Outlay	131,908	69,631	201,539
Other Objects	2,045	266,339	268,384
Total Operating Cash Disbursements	1,291,189	1,042,626	2,333,815
Operating Income (Loss)	(362,184)	(3,232)	(365,416)
Non-Operating Cash Receipts			
Interest	1,800	3,405	5,205
Federal and State Subsidies	331,758	-	331,758
Total Non-Operating Cash Receipts	333,558	3,405	336,963
Excess of Receipts Over/(Under) Disbursements Before Other Financing Sources	(28,626)	173	(28,453)
Other Financing Sources/ Uses:			
Refund of Prior Year Expenditures	8,939	41,510	50,449
Refund of Prior Year Receipts		(1,095)	(1,095)
Advances In	4,800		4,800
Advances Out		(5,100)	(5,100)
Total Other Financing Sources/ Uses	13,739	35,315	49,054
Net Receipts Over/(Under) Disbursements	(14,887)	35,488	20,601
Fund Cash Balances at Beginning of Year	314,148	395,819	709,967
Fund Cash Balances at End of Year	\$299,261	\$431,307	\$730,568

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$22,952,476	\$22,953,447	\$971
Special Revenue Funds	3,866,650	3,531,565	(335,085)
Debt Service Funds	1,514,985	1,511,460	(3,525)
Capital Project Funds	107,001	108,048	1,047
Proprietary:			
Enterprise Funds	1,272,500	1,271,502	(998)
Fiduciary:			
Trust and Agency Funds	1,116,850	1,106,640	(10,210)
Total (Memorandum Only)	<u>\$30,830,462</u>	<u>\$30,482,662</u>	<u>(\$347,800)</u>

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total
Governmental:			
General Fund	\$1,127,332	\$26,450,000	\$27,577,332
Special Revenue Funds	216,475	4,052,900	4,269,375
Debt Service Funds		1,496,025	1,496,025
Capital Project Funds	130,087	646,393	776,480
Proprietary:			
Enterprise Funds	25,855	1,474,400	1,500,255
Fiduciary:			
Trust and Agency Funds	40,394	1,265,699	1,306,093
Total (Memorandum Only)	<u>\$1,540,143</u>	<u>\$35,385,417</u>	<u>\$36,925,560</u>

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

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$23,784,691	\$1,349,885	\$25,134,576	\$2,442,756
3,273,000	260,403	3,533,403	735,972
1,484,084		1,484,084	11,941
121,309	44,042	165,351	611,129
1,291,189	54,048	1,345,237	155,018
1,060,238	36,602	1,096,840	209,253
<u>\$31,014,511</u>	<u>\$1,744,980</u>	<u>\$32,759,491</u>	<u>\$4,166,069</u>

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**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in a prosperous community within Mercer County, consisting of residences and significant office and retail commercial development. The School District is staffed by one hundred seventy classified employees, and two hundred forty-nine certificated teaching employees who provide services to 2,979 students and other community members.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Celina City 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.

Within the School District's boundaries, the Immaculate Conception elementary school is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is included as a special revenue fund for financial reporting purposes.

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

As required by Ohio Administrative Code Section 117-2-03 (B), the School District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the School District chose to present its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles.

This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

B. Fund Accounting

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

1. Governmental Fund Types

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

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

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

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

2. Proprietary Fund Types

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Fiduciary Fund Types

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

C. Budgetary Process

1. Budget

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

2. Estimated Resources

The County Budget Commission certifies its actions to the 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 expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

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

4. Encumbrances

The 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. 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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

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

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

E. Unpaid Vacation and Sick Leave

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

F. Property, Plant and Equipment

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

G. Total Columns On Financial Statements

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

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCES

For fiscal year 2003, the School District changed its method of accounting for financial reporting based on accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Also, the School District's Severance Fund established to fund termination benefits was reclassified from an Internal Service Fund to a Special Revenue Fund. In addition, a Bureau of Workers Compensation Fund established to fund workers compensation charges was reclassified from an Internal Service Fund to an Agency Fund. These changes had the following effect on fund balances as previously reported:

	June 30, 2002	Adjustment	Reclassification	July 1, 2002
General	\$ 4,141,325	\$ 1,619,292	\$ -	\$ 5,760,617
Special Revenue	332,657	(100,025)	1,062,554	1,295,186
Debt Service	391,162	(327)		390,835
Capital Projects	738,603	(50,722)		687,881
Expendable Trust	119,118	7,258		126,376
Enterprise	566,616	(252,468)		314,148
Internal Service	(1,019,297)	2,125,108	(1,105,811)	-
Agency	357,537	(4,975)	43,257	395,819
	<u>\$ 4,498,862</u>	<u>\$ 1,614,317</u>	<u>\$ -</u>	<u>\$ 8,970,862</u>

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(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 five 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 the 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 moneys deposited with the institution.

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

1. United States treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

As of June 30, 2003, the School District had \$635 in undeposited cash on hand which is included in the fund balance.

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

Deposits: At June 30, 2003, the carrying amount of the School District's deposits was \$5,239,723 and the bank balance was \$5,628,507. Of the bank balance, \$867,226 was covered by federal depository insurance and \$4,761,281 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 2	Category 3	Carrying Value	Fair Value
Federal Home Loan Bank Bonds	\$562,080	\$ 0	\$562,080	\$561,627
Federal National Mortgage Association Bonds	1,504,778	0	1,504,778	1,491,387
Repurchase Agreement	0	1,131,136	1,131,136	1,131,136
	<u>2,066,858</u>	<u>1,131,136</u>	3,197,994	3,184,150
Mutual Funds			661	661
Total			<u>\$3,198,655</u>	<u>\$3,184,811</u>

5. PROPERTY TAX

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. PROPERTY TAX (Continued)

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

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2003, are available to finance fiscal year 2003 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 2003 taxes were collected are:

	2002 Second-Half Collections		2003 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Residential/Agricultural & Commercial/Industrial	\$278,579,860	85.53%	\$284,529,480	85.92%
Public Utilities	13,183,570	4.05	10,233,970	3.09
Tangible Personal Property:				
General	<u>33,944,834</u>	<u>10.42</u>	<u>36,377,370</u>	<u>10.99</u>
Total Valuation	<u>\$325,708,264</u>	<u>100.00%</u>	<u>\$331,140,820</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.75		\$34.75	

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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. INCOME TAX

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax levy was effective on January 1, 1998, and expired on December 31, 2002. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue was credited to the General Fund and Debt Service Fund.

8. DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2003, consisted of the following:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
General Obligation Bonds				
1996 School Improvement				
Serial Bonds 3.4 - 5%	\$1,630,000	\$0	\$500,000	\$1,130,000
Term Bonds 5.25 - 5.70%	13,145,000	0	0	13,145,000
Original Issue of Capital Appreciation Bonds-14.875-16.4%	407,923	0	0	407,923
Accretion on Capital Appreciation Bonds	630,185	168,705	0	798,890
Total 1996 School Improvement	15,813,108	168,705	500,000	15,481,813
Energy Conservation Bonds 4.8 - 9.5%	440,000	0	110,000	330,000
Asbestos Removal Loan 0%	285,320	0	43,896	241,424
Loans Payable 0%	0	25,130	3,770	21,360
Total Debt Obligations	\$16,538,428	\$193,835	\$657,666	\$16,074,597

School Improvement General Obligation Bonds - On April 1, 1996, the School District issued \$17,517,923 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$3,965,000, \$13,145,000, and \$407,923, respectively. The bonds are being retired from the Bond Retirement debt service fund with proceeds of the tax levy.

The term bonds maturing on December 1, 2011, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2008 through 2010 (with the balance of \$805,000 to be paid at stated maturity on December 1, 2011), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2008	\$650,000
2009	695,000
2010	745,000

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

8. DEBT OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2012 through 2015 (with the balance of \$1,160,000 to be paid at stated maturity on December 1, 2016), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2012	\$880,000
2013	945,000
2014	1,010,000
2015	1,080,000

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2017 through 2019 (with the balance of \$1,275,000 to be paid at stated maturity on December 1, 2020), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2017	\$1,225,000
2018	1,295,000
2019	1,380,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1, 2005, are subject to optional redemption, in whole or in part on any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2005, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2005 through November 30, 2006	102%
December 1, 2006 through November 30, 2007	101
December 1, 2007 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2004 through 2006. The maturity amount of the bonds is \$1,735,000. For fiscal year 2003, \$168,705 was accreted for a total bond value of \$1,206,813.

Energy Conservation Bonds - In fiscal year 1995, the School District issued \$1,078,000 in unvoted general obligation bonds for providing energy conservation measures for the School District. The bonds were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The bonds were issued for an eleven year period, with final maturity during fiscal year 2006. The bonds are being retired from the Bond Retirement debt service fund.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

8. DEBT OBLIGATIONS (Continued)

Asbestos Removal Loan - In fiscal year 1991, the School District began an asbestos removal program throughout all of the buildings. An asbestos removal loan of \$790,121 was received from the federal government. The interest-free loan was issued for an eighteen year period, with a final maturity in fiscal year 2009. The loan is being retired from the Bond Retirement debt service fund.

Loans Payable - In fiscal year 2003, the School District entered into a loan for the purchase of a van. The loan was issued for five years, with final maturity during fiscal year 2008. The loan was made directly with the dealer and is being repaid from the Athletic special revenue fund.

The School District's overall debt margin was \$15,208,454 with an unvoted debt margin of \$331,141 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, were as follows:

Fiscal Year	General Obligation Bonds			
	Serial			Term
Ending	Principal	Interest	Principal	Interest
2004	\$530,000	\$43,055	\$0	\$714,397
2005	0	30,600	0	714,398
2006	0	30,600	0	714,397
2007	0	30,600	0	714,398
2008	600,000	15,300	0	714,397
2009-2013	0	0	3,775,000	3,100,250
2014-2018	0	0	5,420,000	1,824,889
2019-2021	0	0	3,950,000	310,013
Totals	<u>\$1,130,000</u>	<u>\$150,155</u>	<u>\$13,145,000</u>	<u>\$8,807,139</u>

Fiscal Year	General Obligation Bonds Capital Appreciation		Energy Conservation Bonds	
	Principal	Interest	Principal	Interest
2004	\$0	\$0	\$110,000	\$14,850
2005	163,974	401,026	110,000	8,965
2006	133,365	446,635	110,000	2,998
2007	110,584	479,416	0	0
Totals	<u>\$407,923</u>	<u>\$1,327,077</u>	<u>\$330,000</u>	<u>\$26,813</u>

Fiscal Year	Asbestos Removal Loan	Van Loan
Ending		
2004	\$43,896	\$5,026
2005	43,896	5,026
2006	43,896	5,026
2007	43,896	5,026
2008	43,896	1,256
2009	21,944	0
Totals	<u>\$241,424</u>	<u>\$21,360</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted for the following insurance coverage.

Coverage provided by Netherlands Insurance Company is as follows:

Building and Contents	\$71,173,974
Earthquake	25,000,000
School District Liability	
Per Occurrence	1,000,000
Per Aggregate	2,000,000

Coverage provided by Midwestern Indemnity Company is as follows:

Commercial Umbrella Liability	2,000,000
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Coverage provided by Mid-American Fire and Casualty Company is as follows:

Commercial Auto	
Liability	\$1,000,000
Uninsured Motorist	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP.

Each participant pays its workers' compensation premium to the State 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 percentage of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria.

The firm of Accordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the GRP.

The School District participates in the Mercer Auglaize Schools Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The School District pays monthly premiums to the Trust for employee medical and dental insurance coverage. 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 withdrawal.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$1,577,077, \$1,100,423 and \$1,020,234, respectively; 82 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$4,131 made by the School District and \$8,387 made by plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent 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, 2003, 2002, and 2001 were \$291,675, \$190,618 and \$135,237, respectively; 46 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2003, one of the Board of Education members had elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$121,314.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$281,879 for fiscal year 2003.

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 annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

12. JOINTLY GOVERNED ORGANIZATIONS

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

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

West Central Ohio 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 can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

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

13. GROUP INSURANCE PURCHASING POOL

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

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

13. GROUP INSURANCE PURCHASING POOL (Continued)

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. Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler; JM Consulting, 3547 Beechway Boulevard, Toledo, Ohio 43614.

14. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbooks	Capital Acquisitions
Set-Aside Cash Balance as of June 30, 2002	\$ (4,090)	\$ 64,308
Required Set-Aside	445,939	445,939
Qualifying Expenditures	<u>(299,454)</u>	<u>(135,774)</u>
Balance Carried Forward to Subsequent Year	<u>\$142,395</u>	<u>\$ 374,473</u>

15. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2003.

B. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

16. SUBSEQUENT EVENT

In May 2003, the voters approved a .75 percent income tax levy to begin on January 1, 2004. The anticipated revenue generated from the income tax is \$2.25 million and will fund the general operations of the School District.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
National School Breakfast Program	043729-05PU-2003 043729-05PU-2002	10.553	\$25,535 4,913 <u>30,448</u>		\$25,535 4,913 <u>30,448</u>	
National School Lunch Program	043729-LLP1-2002/2003 043729-LLP4-2002/2003	10.555	1,412 284,379 <u>285,791</u>		1,412 284,379 <u>285,791</u>	
Child Care Food Program	043729-16CP/21CP-2002 043729-CCCP-2003 043729-CCMO-2003	10.558	3,938 1,605 28,127 <u>33,670</u>		3,938 1,605 28,127 <u>33,670</u>	
Food Distribution Program	N/A	10.550		185,984		180,794
Total U.S. Department of Agriculture - Nutrition Cluster			349,909	185,984	349,909	180,794
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Special Education Cluster: Title VI-B Handicapped	043729-6BSF-2002-P 043729-6BSF-2003-P	84.027	1,440 341,283 <u>342,723</u>		14,331 317,197 <u>331,528</u>	
Total Title VI-B Handicapped					331,528	
Handicapped Preschool	04379-PGS1-2003-P	84.173	32,852		31,815	
Total Special Education Cluster			375,575		363,343	
Title 1	043729-C1S1-2002 043729-C1S1-2003	84.010	5,739 329,066 <u>334,805</u>		8,359 291,585 <u>299,944</u>	
Total Title 1					299,944	
Improving Teacher Quality State Grant	043729-TRS1-2003	84.367	119,278		101,845	
Class Size Reduction	043729-CRS1-2002	84.340	6,835		21,081	
Vocational-Education-Occupational and Employment Information State Grant	VEACRN-2003-OCIS-01	84.346	1,700		700	
Vocational Education Basic Grant	043729-20A0-2002 043729-20C1-2002 043729-20C1-2003	84.048	845 9,922 121,400 <u>132,167</u>		13,491 21,354 126,522 <u>161,367</u>	
Total Vocational Education Basic Grant					161,367	
Drug Free Schools	043729-DRS1-2002 043729-DRS1-2003 043729-DRS1-2001	84.186	(496) 7,673 <u>7,177</u>		3,307 6,531 1,445 <u>11,283</u>	
Total Drug Free Schools					11,283	
Eisenhower Professional Development	043729-MSS1-2002 043729-MSS1-2001	84.281	(6,818)		2,566 207 <u>2,773</u>	
Total Eisenhower Professional Development			(6,818)		2,773	
Title VI - Innovative Education Program	043729-C2S1-2002 043729-C2S1-2003 043729-C2S1-2001	84.298	12,858 18,145 <u>31,003</u>		18,241 18,146 10,910 <u>47,297</u>	
Total Title VI - Innovative Education Program					47,297	
Education Technology State Grants	043729-TJS1-2003	84.318	8,524		8,524	
School Renovation School Idea Tech	043729-ATS2-2002 043729-ATS3-2002	84.352A	499 11,439 <u>11,938</u>		10,958 <u>10,958</u>	
Total School Renovation School Idea Tech					10,958	
Total U. S. Department of Education			1,022,184		1,029,115	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Direct Program Headstart Program	05CH5331 / 28 05CH5331 / 29	93.600	558,000 540,000 <u>1,098,000</u>		582,961 515,937 <u>1,098,898</u>	
Total Headstart Program					1,098,898	
Total U.S. Department of Health and Human Services			1,098,000		1,098,898	
Total Federal Assistance			<u>\$2,470,093</u>	<u>\$185,984</u>	<u>\$2,477,922</u>	<u>\$180,794</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Program regulations do not require the 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.

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

NOTE C - EISENHOWER PROFESSIONAL DEVELOPMENT GRANT

The School District "transferred" the carry-over balance of \$6,818 from CFDA #84.281 to CFDA#84.318 due to the elimination of CFDA #84.281.

NOTE D - DRUG FREE GRANTS

The School District made a \$496 "transfer" between special cost centers due to the Ohio Department of Education administrative action and change in methodology for carryover periods.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Celina City School District
Mercer County
585 East Livingston Street
Celina, Ohio 45822

To the Board of Education:

We have audited the financial statements of Celina City School District, Mercer County, (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 2, 2004, wherein we noted that the School District reported its financial statements on a 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated February 2, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Internal Control Over Financial Reporting
(Continued)**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 2, 2004.

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

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

Betty Montgomery
Auditor of State

February 2, 2004



Auditor of State Betty Montgomery

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

Celina City School District
Mercer County
585 East Livingston Street
Celina, Ohio 45822

To the Board of Education:

Compliance

We have audited the compliance of Celina City School District, Mercer County, (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

February 2, 2004

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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):	Headstart: CFDA #93.600 Nutrition Cluster: CFDA #10.550, 10.553, 10.555, 10.558
<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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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CELINA CITY SCHOOL DISTRICT

MERCER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2004**