

ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



Mary Taylor, CPA
Auditor of State

Board of Education
Ansonia Local School District
P.O. Box 279
Ansonia, Ohio 45303

We have reviewed the *Independent Accountants' Report* of the Ansonia Local School District, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 22, 2007

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ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY

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MANNING & ASSOCIATES CPAs, LLC

6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45413-0449

INDEPENDENT ACCOUNTANTS' REPORT

Ansonia Local School District
Darke County
PO Box 279
Ansonia, Ohio 45303

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ansonia Local School District, Darke County, (the District), as of and for the year ended June 30, 2005. 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 reports in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ansonia Local School District, Darke County, as of June 30, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 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.

Manning & Associates CPAs, LLC

January 12, 2007

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Ansonia School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2005 are as follows:

- Total net assets were \$1,116,161. Net assets of governmental activities increased \$194,471, or approximately 23 percent.
- Net assets of business-type activities increased \$18,079, or about 37 percent.
- The total change in net assets was an increase of \$212,550.
- The District had \$6,458,419 in total disbursements of which \$6,187,249 were in governmental activities.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

A. Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Using this Annual Financial Report (continued)

B. Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities – Modified Cash Basis

The statement of net assets and the statements of activities reflect how the School District did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two kinds of activities.

Governmental Activities – Most of the District's services are reported here including instruction, support services, debt service and capital outlay.

Business-Type Activities – These services include food service preschool and uniform school supplies. Service fees for these operations are charged based upon amount of usage.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transaction. However, these fund financial statements focus on the School District's most significant funds. The School District's only major fund is the General 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 fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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.

Proprietary Funds

When the District charges users for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. The enterprise funds are reported as business-typed activities on the entity-wide statement of net assets and statement of activities. The District has three enterprise funds – the food service fund, preschool, and uniform supplies fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs. These funds use the modified cash basis of accounting. The District's only fiduciary funds are considered agency funds.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The District as a Whole

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004. The comparative analysis is minimal because this is the first year for government-wide financial statements using the modified cash basis of accounting. Additional analysis will be provided in future years when prior year information is available.

**Table 1
Net Assets - Cash Basis**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2,004	2005	2,004
Assets						
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 1,048,876	\$ 854,405	\$ 67,285	\$ 49,206	\$ 1,116,161	\$ 903,611
Total Assets	1,048,876	854,405	67,285	49,206	1,116,161	903,611
Net Assets						
Restricted for:						
Other Purposes	391,295	406,086	0	0	391,295	406,086
Debt Service	80,475	54,977	0	0	80,475	54,977
Capital Outlay	4,738	(23,838)	0	0	4,738	(23,838)
Unrestricted	572,368	417,180	67,285	49,206	639,653	466,386
Total Net Assets	\$ 1,048,876	\$ 854,405	\$ 67,285	\$ 49,206	\$ 1,116,161	\$ 903,611

Total assets increased \$212,550. Net assets of governmental activities increased \$194,471, or about 23 percent during fiscal year 2005. The primary reason for the increase in cash balances was because of a significant increase in open enrollment students as well as an increase in the income tax collections.

Net assets of business-type activities increased \$18,079 due to increased revenue in the sales of lunches, and increased federal lunch subsidies.

Table 2, reflects the changes in net assets in fiscal year 2005, no comparisons to the prior year have been made. In the future, when prior year information is available, these comparisons will be made.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Governmental Activities

The largest source of receipts for governmental activities are unrestricted grants and entitlements which accounted for about 56 percent of the total cash received during the year. Property and income taxes accounted for an additional 26 percent of receipts.

Instruction accounted for approximately 55 percent of total cash disbursements for fiscal year 2005, with Regular Instruction making up the largest share at about 36 percent of total disbursements. Pupil and Instructional Staff support services accounted for about 12 percent of total disbursements. Board of Education, Administration, Business and Fiscal disbursements accounted for another 12 percent of disbursements. Operation and maintenance of plant disbursements were about 8 percent of total disbursements. Transportation accounted for about 6 percent of total disbursements and extracurricular activities accounted for about 3 percent of total disbursements.

Business-Type Activities

Net assets for business-type activities increased by \$18,079 during fiscal year 2005. Charges for services were the largest source of receipts, accounting for about 70 percent of total business-type activities receipts. Operating grants and contributions accounted for another 30 percent of receipts.

Statement of Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major activities of the District. The next column identifies the cost of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the District that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, unrestricted State entitlements and investment earnings. Since this is the first year the District has prepared financial statements in this format, comparison to prior years has not been done. In future years, when this information is available, these comparisons will be made.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Table 2
Changes in Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Receipts			
<i>Program Receipts:</i>			
Charges for Services	\$ 566,718	\$ 202,842	\$ 769,560
Operating Grants and Contributions	538,469	85,520	623,989
Capital Grants and Contributions	36,375	0	36,375
Total Program Receipts	1,141,562	288,362	1,429,924
<i>General Receipts:</i>			
Property Taxes	1,215,694	0	1,215,694
Income Taxes	412,692	0	412,692
Grants and Entitlements	3,544,503	0	3,544,503
Investment Earnings	22,265	160	22,425
Gifts and Donations	12,158	0	12,158
Other	32,846	727	33,573
Total General Receipts	5,240,158	887	5,241,045
Total Receipts	6,381,720	289,249	6,670,969
<i>Program Disbursements</i>			
Instruction			
Regualr	2,226,319	0	2,226,319
Special	671,174	0	671,174
Vocational	245,447	0	245,447
Other	248,149	0	248,149
Support Services:			
Pupils	336,578	0	336,578
Instructional Staff	411,658	0	411,658
Board of Education	24,441	0	24,441
Administration	564,535	0	564,535
Fiscal	132,275	0	132,275
Business	5,897	0	5,897
Operation and Maintenance of Plant	524,709	0	524,709
Pupil Transportation	356,717	0	356,717
Central	12,773	0	12,773
Extracurricular Activities	202,716	0	202,716
Capital Outlay	23,673	0	23,673
Debt Service			
Principal	90,000	0	90,000
Interest	110,188	0	110,188
Food Service	0	225,712	225,712
Preschool	0	39,641	39,641
Uniform Supplies	0	5,817	5,817
Total Disbursements	6,187,249	271,170	6,458,419
Increase (Decrease) in Net Assets	\$ 194,471	\$ 18,079	\$ 212,550

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Table 3

2005

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Disbursements				
Instruction:				
Regular	\$ 2,226,319	\$ 1,749,493	\$ 0	\$ 0
Special	671,174	534,949	0	0
Vocational	245,447	159,158	0	0
Other	248,149	248,149	0	0
Support Services				
Pupils	336,578	169,458	0	0
Instructional Staff	411,658	356,985	0	0
Board of Education	24,441	24,441	0	0
Administration	564,535	479,074	0	0
Fiscal	132,275	132,057	0	0
Business	5,897	5,897	0	0
Operation and Maintenance of Plant	524,709	506,309	0	0
Pupil Transportation	356,717	325,773	0	0
Central	12,773	12,773	0	0
Extracurricular Activities	202,716	117,310	0	0
Capital Outlay	23,673	23,673	0	0
Debt Service	200,188	200,188	0	0
Lunchroom	0	0	225,712	(16,621)
Pre-School	0	0	39,641	(6,388)
Uniform Supplies	0	0	5,817	5,817
Total Disbursements	\$ 6,187,249	\$ 5,045,687	\$ 271,170	\$ (17,192)

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For 2005, charges for services, operating grants, and capital grants of about 18 percent of total cash receipts were received and used to fund the expenses of the District. The remaining 82 percent of cash receipts were from taxes unrestricted State entitlements, investment earnings, and miscellaneous receipts. The District relies on these receipts to furnish the services it provides to the students

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

The School District's Funds

The District's governmental funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$6,381,720 and disbursements of \$6,187,249. The General Fund is the chief operating fund of the District. At the end of fiscal year 2005, unreserved fund balance of the General Fund was \$445,632. The greatest change within the funds occurred in the General Fund which had an increase of \$180,086 in fund balance due to attrition of staff and decreased utility costs.

The District's enterprise funds had an operating loss of \$67,601 for fiscal year 2005. However, due to the federal and state subsidies, the enterprise funds had an increase in net assets of \$18,079 for fiscal year 2005.

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 2005, the District amended its General Fund budget as needed. Final disbursements were budgeted at \$5,389,542, while actual expenditures plus encumbrances were \$5,375,066.

Capital Assets

The District tracks its capital assets on the State EIS system. At June 30, 2005, the book value of the capital assets was \$3,587,961.

Debt Administration

At June 30, 2005, the District had \$2,088,000 outstanding in general obligation bonds. These bonds are being paid through the Bond Retirement Fund with property tax revenue. For further information on the District's debt, refer to Note 11 to the basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited and in some cases shrinking funding. Ansonia Local Schools is constantly re-evaluating costs and expenditures to continue to offer a quality education at the most economically feasible price.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and 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 Nick Hamilton, Treasurer at Ansonia Local School District, PO Box 279, Ansonia, Ohio 45303.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,048,876</u>	\$ <u>67,285</u>	\$ <u>1,116,161</u>
Total Assets	\$ <u><u>1,048,876</u></u>	\$ <u><u>67,285</u></u>	\$ <u><u>1,116,161</u></u>
 Net Assets			
Restricted for:			
Debt Service	\$ 80,475	\$ 0	\$ 80,475
Capital Outlay	4,738	0	4,738
Other Purposes	391,295	0	391,295
Unrestricted	<u>572,368</u>	<u>67,285</u>	<u>639,653</u>
Total Net Assets	\$ <u><u>1,048,876</u></u>	\$ <u><u>67,285</u></u>	\$ <u><u>1,116,161</u></u>

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Programs Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash	Charges	Operating	Capital	Governmental	Business-Type	Total
	Disbursements	for	Grants and	Grants and			
Governmental Activities							
Regular	\$ 2,226,319	\$ 370,081	\$ 106,745	\$ 0	\$ (1,749,493)	\$ 0	\$ (1,749,493)
Special	671,174	19,291	116,934	0	(534,949)	0	(534,949)
Vocational	245,447	0	86,289	0	(159,158)	0	(159,158)
Other	248,149	0	0	0	(248,149)	0	(248,149)
Support Services:							
Pupils	336,578	0	167,120	0	(169,458)	0	(169,458)
Instructional Staff	411,658	0	54,673	0	(356,985)	0	(356,985)
Board of Education	24,441	0	0	0	(24,441)	0	(24,441)
Administration	564,535	79,791	2,490	3,180	(479,074)	0	(479,074)
Fiscal	132,275	0	218	0	(132,057)	0	(132,057)
Business	5,897	0	0	0	(5,897)	0	(5,897)
Operation and Maintenance of Plant	524,709	0	0	18,400	(506,309)	0	(506,309)
Pupil Transportation	356,717	16,149	0	14,795	(325,773)	0	(325,773)
Central	12,773	0	0	0	(12,773)	0	(12,773)
Extracurricular Activities	202,716	81,406	4,000	0	(117,310)	0	(117,310)
Capital Outlay	23,673	0	0	0	(23,673)	0	(23,673)
Debt Services:							
Principal	90,000	0	0	0	(90,000)	0	(90,000)
Interest	110,188	0	0	0	(110,188)	0	(110,188)
Total Government Activities	6,187,249	566,718	538,469	36,375	(5,045,687)	0	(5,045,687)
Business Type Activities							
Lunchroom	225,712	156,813	85,520	0	0	16,621	16,621
Pre-School Activities	39,641	46,029	0	0	0	6,388	6,388
Uniform Supplies	5,817	0	0	0	0	(5,817)	(5,817)
Total Business Type Activities	271,170	202,842	85,520	0	0	17,192	17,192
Totals	\$ 6,458,419	\$ 769,560	\$ 623,989	\$ 36,375	\$ (5,045,687)	\$ 17,192	\$ (5,028,495)
General Receipts							
Property Taxes Levied for:							
General Purposes					947,365	0	947,365
Debt Service					203,279	0	203,279
Capital Outlay					43,367	0	43,367
Classroom Maintenance					21,683	0	21,683
Income Taxes Levied fro General Purposes					412,692	0	412,692
Grants and Entitlements not Restricted to Specific Programs					3,544,503	0	3,544,503
Gifts and Donations					12,158	0	12,158
Investment Earnings					22,265	160	22,425
Payments in Lieu of Taxes					4,000	0	4,000
Miscellaneous					28,846	727	29,573
Total General Receipts					5,240,158	887	5,241,045
Changes in Net Assets					194,471	18,079	212,550
Net Assets Beginning of Year, restated					854,405	49,206	903,611
Net Assets End of Year					1,048,876	67,285	1,116,161

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	572,368	210,371	782,739
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	266,137	0	266,137
 Total Assets	 \$ 838,505	 \$ 210,371	 \$ 1,048,876
 Fund Balances			
Reserved for Encumbrances	\$ 126,736	\$ 13,595	\$ 140,331
Reserved for Textbooks and Instructional Materials	73,966	0	73,966
Reserved for Budget Stabilization	55,498	0	55,498
Reserved for Bus Purchases	136,673	0	136,673
Unreserved, Undesignated (Deficit), Reported in:			
General Fund	445,632	0	445,632
Special Revenue Funds	0	111,563	111,563
Debt Service	0	80,475	80,475
Capital Projects Fund	0	4,738	4,738
 <i>Total Fund Balances</i>	 \$ 838,505	 \$ 210,371	 \$ 1,048,876

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 947,365	\$ 268,329	\$ 1,215,694
Income Taxes	412,692	0	412,692
Intergovernmental	3,606,368	487,399	4,093,767
Investment Earnings	19,625	2,640	22,265
Tuition and Fees	405,521	0	405,521
Charges for Services	0	79,776	79,776
Extracurricular Activities	0	81,406	81,406
Gifts and Donations	4,000	30,558	34,558
Payments in Lieu of Taxes	4,000	0	4,000
Miscellaneous	1,567	3,180	4,747
Total Cash Receipts	5,401,138	953,288	6,354,426
Disbursements			
Current:			
Instruction:			
Regular	2,116,844	109,475	2,226,319
Special	550,186	120,988	671,174
Vocational	233,070	12,377	245,447
Other	248,149	0	248,149
Support Services:			
Pupils	178,633	157,945	336,578
Instructional Staff	345,525	66,133	411,658
Board of Education	24,441	0	24,441
Administration	467,930	96,605	564,535
Fiscal	126,057	6,218	132,275
Business	5,897	0	5,897
Operation and Maintenance of Plant	450,454	74,255	524,709
Pupil Transportation	356,717	0	356,717
Central	12,773	0	12,773
Extracurricular Activities	131,655	71,061	202,716
Capital Outlay	0	23,673	23,673
Debt Service:			
Principal	0	90,000	90,000
Interest	0	110,188	110,188
Total Cash Disbursements	5,248,331	938,918	6,187,249
Excess of Receipts Over/(Under) Disbursements	152,807	14,370	167,177
Other Financing Sources			
Proceeds from Sale of Assets	330	0	330
Refund of Prior Year Expenditures	26,949	15	26,964
Total Other Financing Sources (Uses)	27,279	15	27,294
Net Change in Fund Balances	180,086	14,385	194,471
Fund Balances Beginning of Year, restated	658,419	195,986	854,405
Fund Balances End of Year	\$ 838,505	\$ 210,371	1,048,876

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE
IN FUND CASH BALANCE BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive
Receipts:				
Property Taxes	\$ 922,504	\$ 947,365	\$ 947,365	\$ 0
Income Taxes	401,862	412,692	412,692	0
Intergovernmental	3,511,729	3,606,368	3,606,368	0
Interest	19,110	19,625	19,625	0
Tuition and Fees	394,879	405,521	405,521	0
Gifts and Donations	3,895	4,000	4,000	0
Payments in Lieu of Taxes	4,000	4,000	4,000	0
Miscellaneous	1,421	1,567	1,567	0
Total Receipts	<u>5,259,400</u>	<u>5,401,138</u>	<u>5,401,138</u>	<u>0</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,296,831	2,126,211	2,125,207	1,004
Special	647,774	552,611	551,542	1,069
Vocational	247,916	234,509	234,468	41
Other	194,408	248,936	248,933	3
Support Services:				
Pupil	200,205	180,185	179,934	251
Instructional Staff	430,892	379,200	378,750	450
Board of Education	46,722	25,405	25,086	319
Administration	517,058	470,275	470,195	80
Fiscal	155,484	144,415	144,401	14
Business	8,218	6,472	6,471	1
Operation and Maintenance of Plant	491,261	483,595	483,170	425
Pupil Transportation	381,121	381,670	381,617	53
Central	18,142	13,638	13,637	1
Extracurricular Activities:				
Academic Oriented Activities	142,155	131,674	131,655	19
Capital Outlay:				
Site Acquisition Services	500	0	0	0
Building Acquisition and Construction Services	10,746	10,746	0	10,746
Total Disbursements	<u>5,789,433</u>	<u>5,389,542</u>	<u>5,375,066</u>	<u>14,476</u>
Exces of Receipts under Disbursements	(530,033)	11,596	26,072	14,476
Other Financing Sources				
Proceeds from Sale of Capital Assets	330	330	330	0
Refund of Prior Year Expenditures	26,949	26,949	26,949	0
Total Other Financing Sources	<u>27,279</u>	<u>27,279</u>	<u>27,279</u>	<u>0</u>
Net Change in Fund Balances	(502,754)	38,875	53,351	14,476
Fund Balances Beginning of Year	534,292	534,292	534,292	0
Prior Year Encumbrances Appropriated	124,126	124,126	124,126	0
Fund Balances End of Year	<u>\$ 155,664</u>	<u>\$ 697,293</u>	<u>\$ 711,769</u>	<u>\$ 14,476</u>

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
AS OF JUNE 30, 2005**

	Business-Type Activity Enterprise Funds
	<u> </u>
Assets	
Equity in Pooled Cash, Cash Equivalents	\$ <u>67,285</u>
 Total Assets	 \$ <u><u>67,285</u></u>
 Net Assets	
Unrestricted	\$ <u>67,285</u>
 Total Net Assets	 \$ <u><u>67,285</u></u>

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

		Business-Type Activity Enterprise Funds
		<u> </u>
Operating Receipts		
Tuition	\$	46,029
Sales		156,813
Other Revenues		727
		<u> </u>
Total Operating Receipts		<u>203,569</u>
Operating Disbursements		
Salaries		114,227
Fringe Benefits		48,074
Purchased Services		2,137
Material and Supplies		106,461
Other		179
Capital Outlay Replacement		92
		<u> </u>
Total Operating Expenses		<u>271,170</u>
Operating Loss		<u>(67,601)</u>
Non-Operating Revenues		
Interest		160
Federal and State Subsidies		85,520
		<u> </u>
Total Non-Operating Receipts		85,680
Change in Net Assets		18,079
Net Assets Beginning of Year		<u>49,206</u>
Net Assets End of Year	\$	<u><u>67,285</u></u>

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2005**

	<u>Agency</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>29,084</u>
NET ASSETS:	
Due to Students	\$ <u>29,084</u>

See accompanying notes to the Basic Financial Statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Ansonia Local 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 federal guidelines.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that 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 Ansonia Local School, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable, or for which the School District is not financially accountable but the nature and significance of the School District's relationship with the separate organization is such that it is required to be presented as a component unit. 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 legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. Ansonia Local School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Notes 13 and 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation
Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting. The modified cash basis of accounting differs from accounting principles generally used in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which, have been applied to the extent they are applicable to the modified cash basis of accounting. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of a government-wide statement of net assets and statement of activities, and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Net Assets and Statement of Activities

These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities.

Government-wide Financial Statement of Net Assets and Statement of Activities

The government-wide statement of activities compares disbursements with program receipts for each segment of the District's business-type activities and for each function or program of the School District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions directly relating to the funds' principal services, such as for services. Operating disbursements include costs of sales and services and administrative cost. The fund statements report all other receipts and disbursements as nonoperating.

Fund Financial Statements

Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The School District uses funds and account groups to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental, proprietary or fiduciary.

1. Governmental Fund Types

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Fund Type

Certain District funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies these as enterprise funds.

The School District does not have any major enterprise fund. The District's enterprise funds account for food service, uniform school supplies, and the preschool program.

3. Fiduciary Fund Types

Fiduciary Funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary Funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature, where the District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for various student managed activities' cash.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

The School District's financial statements are prepared on using the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments assets, valued at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at time of sale are recorded as receipts or negative receipts, respectively.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expense (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. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund/function level for the general fund, bond retirement debt service fund, classroom facilities special revenue fund and permanent improvement capital project fund, and at the fund level for all remaining funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot 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 during the fiscal year.

E. Cash, Cash Equivalents and Investments

To improve cash management, 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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the financial statements.

The District values investments and cash equivalents at cost. For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

The School District invested in certificate of deposits and repurchase agreements during fiscal year 2005. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at time of sale are recorded as receipts or negative receipts, respectively.

Following Ohio statues, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$19,625, including \$5,779 assigned from other School District funds.

F. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation is the source of the restrictions. Restricted cash and investments in the General Fund include amounts required to be spent on bus purchase and amounts State statute requires to be set aside for textbooks and instructional materials, and to create a budget reserve. See Note 15 for additional information regarding set-asides.

G. Inventory

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Prepaid Items

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as disbursements when made.

I. Capital Assets

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

J. Compensated Absences

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

K. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

L. Fund Balance Designations and Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances, school bus purchase and textbooks and instructional materials. The reserve for school bus purchases represents money required to be spent on bus purchases and the reserve for textbooks and instructional materials represents money required to be set-aside by state Statue to purchase textbooks and instructional materials. The reserve for budget stabilization represents money required to be set-aside by state statue or used for particular expenditures.

M. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net assets restricted for other purposes include resources restricted for food services operations, athletic programs, and federal and state grants restricted to cash disbursement for specific purposes. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2005, the School District changed has prepared its financial statements on the modified cash basis of accounting and put them into a GASB 34 look-alike format. The following changes to fund balances were the result of converting form cash to modified-cash accounting in the GASB 34 format and the correction of an error:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Fiduciary Funds</u>
Fund Balance, June 30, 2004	\$ 613,327	\$ 243,665	\$ 32,378
Interfund Receivable(Payable)	45,092	(45,092)	0
Reclassification of Expendable Trust Fund	0	6,367	(6,367)
Correction of Error	0	(8,954)	0
Restated Fund Balance, June 30, 2004	\$ 658,419	\$ 195,986	\$ 26,011

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 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 accounts, including passbook accounts.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation 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. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).
7. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

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 the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the Educational Service Center's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS (continued)

A. Deposits

Custodial credit risk: is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all 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 of the financial institution.

As of June 30, 2005, the carrying amount of the School District's deposits were \$1,026,036. Cash balances per the bank were \$1,034,587. Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$529,844 of the School District's bank balance was exposed to custodial credit risk in that it was uninsured and uncollateralized. Although, the securities serving as collateral were held by the pledging financial institution's trust department but not in the School District's name and all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation. The School District does not have a deposit policy for custodial credit risk.

B. Investments

As of June 30, 2005, the School District had the following investments and maturities:

Investment	Maturities	Carrying Value
STAR Ohio	Various	\$ 19,209
Federal Home Loan Mortgage Corporation Note	02/17/2006	100,000
Total		\$119,209

Interest Rate Risk: State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investments in the Federal Home Loan Mortgage Corporation were rated AAA by Moody's Investors Service and AAA by Standard & Poor's at June 30, 2005.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

4. DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. 84% of the District's investments at June 30, 2005, were in the Federal National Mortgage Association and 16% were in STAR Ohio.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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 Darke 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, 2005 are available to finance fiscal year 2005 operations.

The amount available to as an advance at June 30, 2005 was \$93,368 in the General Fund and \$27,980 in the non-major funds.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

5. PROPERTY TAXES (continued)

The assessed valued upon which fiscal year 2005 taxes were collected are:

	2004 Second-Half Collections		2005 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$41,179,540	86.23%	\$41,842,150	87.01%
Public Utility Personal	3,339,900	7.01	3,406,170	7.08
Tangible Personal Property	3,236,440	6.76	2,841,730	5.91
Total	\$47,755,880	100.00%	\$48,090,050	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$41.13		\$40.59	

6. INCOME TAX

The School District levies a voted tax of .75 percent on the income of residents and of estates. The tax was effective on January 1, 1992 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 to the General Fund during fiscal year 2005 were \$412,692.

7. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Change in Fund Balance – Budget and Actual (Budget Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and modified cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (modified cash). The following table summarizes the adjustments necessary to reconcile the modified cash basis statement to the budgetary basis statement for the:

General Fund Net Change in Fund Balance	
Modified Cash Basis	\$ 180,086
Adjustment for Encumbrances	(126,735)
Budget Basis	\$ 53,351

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

8. RISK MANAGEMENT

A. Property and Liability

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. For fiscal year 2005, the School District contracted with Mangas Insurance for property and fleet, general liability, boiler and machinery, crime, and inland marine insurance.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$5,000 deductible)	\$15,970,966
Inland Marine Coverage (\$100 deductible)	1,065,051
Boiler and Machinery - Included in Building and Contents	
Automobile Liability (\$250 comprehensive deductible) (\$500 collision deductible)	1,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate Limit	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). 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 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 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 percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" 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. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

8. RISK MANAGEMENT, (continued)

C. Insurance Purchasing Pool

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

9. DEFINED BENEFIT PENSION PLANS

A. 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 to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$91,657, \$64,777, and \$69,801 respectively; 48 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at www.strsoh.org.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

9. DEFINED BENEFIT PENSION PLANS, (continued)

B. State Teachers Retirement System of Ohio (continued)

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 Combined 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 these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2004. 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 the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$358,655, \$340,878 and \$346,037 respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$246 made by the School District and \$4,223 made by the plan members.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

9. DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School employees Retirement System. As of June 30, 2005, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

10. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement system of Ohio (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 on a pay-as-you-go basis.

All 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 costs 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, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund, for the School District, this amount equaled \$27,589 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 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. Effective January 1, 2004, 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply. 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, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$41,917.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

10. POSTEMPLOYMENT BENEFITS, (continued)

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Principal Outstanding 06/30/2004	Additions	Reductions	Principal Outstanding 6/30/2005
Classroom Facilities Bonds				
2000 5.50%	2,178,000	0	90,000	2,088,00

Classroom Facilities General Obligation Bonds – The School District issued bonds in the amount of \$2,563,000 to finance the construction of new school facilities. Of these bonds, \$2,515,000 are serial bonds, with maturity dates of December 1, 2000 to December 1, 2011 and December 1, 2015 to December 1, 2022. \$48,000 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2012, 2013 and 2014. The maturity amount is \$130,000 for each year.

Principal and interest requirements to retire the school facilities construction and improvement bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$95,000	\$105,722	\$200,722
2007	100,000	100,945	200,945
2008	105,000	95,922	200,922
2009	110,000	90,600	200,600
2010	115,000	84,975	199,975
2011 - 2015	293,000	703,626	996,626
2016 - 2020	730,000	253,000	983,000
2021 - 2023	540,000	45,650	585,650
Total	\$2,088,000	\$1,480,440	\$3,568,440

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	<u>Food Service</u>	<u>Pre- School</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating Revenues:				
Sales	156,813	0	0	156,813
Tuition	0	46,029	0	46,029
Other	727	0	0	727
Total Operating Revenues	<u>157,540</u>	<u>46,029</u>	<u>0</u>	<u>203,569</u>
Operating Expenses	<u>225,712</u>	<u>39,641</u>	<u>5,817</u>	<u>271,170</u>
Operating Income (Loss)	(68,172)	6,388	(5,817)	(67,601)
Non-Operating Revenues:				
Federal and State Subsidies	85,520	0	0	85,520
Interest	160	0	0	160
Total Non-Operating Revenues	<u>85,680</u>	<u>0</u>	<u>0</u>	<u>85,680</u>
Change in Net Assets	17,508	6,388	(5,817)	18,079
Beginning Net Assets	<u>15,721</u>	<u>27,668</u>	<u>5,817</u>	<u>49,206</u>
Ending Net Assets	<u><u>33,229</u></u>	<u><u>34,056</u></u>	<u><u>0</u></u>	<u><u>67,285</u></u>

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

13. JOINTLY GOVERNED ORGANIZATION

A. Metropolitan Dayton Educational Cooperative Association

The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The 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.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$15,045 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C Street, Dayton, Ohio 45405.

B. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2005, the School District paid \$6,479 in fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

13. JOINTLY GOVERNED ORGANIZATION (continued)

C. Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the state-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$1,660 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

14. INSURANCE PURCHASING POOL

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven-member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

15. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set-aside for this purpose.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2004	\$ 66,556	\$ (2,463,325)	\$ 55,498
Current Year Set-aside Requirement	100,825	100,825	0
Current Year Offsets	0	(43,367)	0
Qualifying Disbursements	<u>(93,415)</u>	<u>(17,915)</u>	<u>0</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$ <u>73,966</u>	\$ <u>(2,423,782)</u>	\$ <u>55,498</u>
Set-aside Reserve Balances as of June 30, 2005	<u>\$ 73,966</u>	<u>\$ 0</u>	<u>\$ 55,498</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward as it represents proceeds of bonds from prior fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$129,464.

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 required 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, 2005.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

16. CONTINGENCIES (continued)

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 decision 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 on its financial operations.

C. Litigation

There are currently no matters in litigation with the School District as a defendant.

MANNING & ASSOCIATES CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Ansonia Local School District
Darke County
PO Box 279
Ansonia, Ohio 45303

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ansonia Local School District, Darke County, (the District), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon January 12, 2007, wherein we noted the District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is required. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 12, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated January 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

January 12, 2007

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005**

FINDING NUMBER 2005-001

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.

Ohio Adm. Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the 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 financial statements in accordance with GAAP.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; Explain
2004-001	ORC Sec. 117.38 - Financial Statements Required to be Reported in Accordance with GAGAS	No	Not Corrected
2004-002	ORC Sec. 5705.39 – Appropriations exceeded estimated resources	No	Corrected



Mary Taylor, CPA
Auditor of State

ANSONIA LOCAL SCHOOL DISTRICT
DARKE 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
JUNE 5, 2007