



**Auditor of State  
Betty Montgomery**



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of Celina City School District, Mercer County, (the School District), as of and for the fiscal year ended June 30, 2004. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the School District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and you should read it in conjunction with this report in considering the results of our audit.

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

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

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

**Betty Montgomery**  
Auditor of State

February 2, 2005

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Expendable Trust	(Memorandum Only)
<b>Cash Receipts</b>						
Property Taxes	\$8,137,229		\$1,366,934			\$9,504,163
Income Taxes	329,472					329,472
Tuition	740,997					740,997
Transportation Fees	7,292					7,292
Intergovernmental	11,434,880	2,592,197	146,244	75,900		14,249,221
Earnings on Investments	210,940	12,689	7,299	5,564	1,852	238,344
Extracurricular Activities		463,398				463,398
Classroom Materials & Fees	227,512					227,512
Payment in Lieu of Taxes				39,154		39,154
Gifts and Donations		33,912			20,430	54,342
Miscellaneous	74,176	413,453		206		487,835
<b>Total Cash Receipts</b>	<b>21,162,498</b>	<b>3,515,649</b>	<b>1,520,477</b>	<b>120,824</b>	<b>22,282</b>	<b>26,341,730</b>
<b>Cash Disbursements</b>						
Current:						
Instruction:						
Regular	11,697,253	664,664		77,860		12,439,777
Special	2,169,910	971,222				3,141,132
Vocational	1,119,101	48,862		2,071		1,170,034
Adult / Continuing		7,851				7,851
Other	439,742	53,661				493,403
Support Services:						
Pupils	1,347,318	455,450				1,802,768
Instruction	780,625	267,591		1,200		1,049,416
Board of Education	77,117					77,117
Administration	1,813,787	288,336			4,689	2,106,812
Fiscal	549,379	2,000	29,810			581,189
Business	136,913	8,398				145,311
Operation and Maintenance	2,235,302	75,741		109,769		2,420,812
Transportation	933,032	216,213				1,149,245
Central Services	35	29,767				29,802
Operation of Non-Instructional Services		252,732			19,607	272,339
Extracurricular Activities	526,920	220,544				747,464
Capital Outlay	931	45		5,000		5,976
Debt Service: Principal		5,026	683,895			688,921
Debt Service: Interest			772,303			772,303
<b>Total Cash Disbursements</b>	<b>23,827,365</b>	<b>3,568,103</b>	<b>1,486,008</b>	<b>195,900</b>	<b>24,296</b>	<b>29,101,672</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,664,867)	(52,454)	34,469	(75,076)	(2,014)	(2,759,942)
<b>Other Financing Sources (Uses):</b>						
Other Financing Sources		2,461				2,461
Sale of Fixed Assets	6,103					6,103
Refund of Prior Year Expenditures	20,786	12,264			6,763	39,813
Refund of Prior Year Receipts		(4,285)		(29)	(250)	(4,564)
Advances In	355,492	329,703				685,195
Advances Out	(331,403)	(340,692)		(10,000)		(682,095)
Operating Transfers In		74,196				74,196
Operating Transfers Out	(74,196)					(74,196)
<b>Total Other Financing Sources (Uses)</b>	<b>(23,218)</b>	<b>73,647</b>		<b>(10,029)</b>	<b>6,513</b>	<b>46,913</b>
Excess (Deficiency) of Receipts and Other Sources Over (Under) Disbursements and Other Uses	(2,688,085)	21,193	34,469	(85,105)	4,499	(2,713,029)
Fund Cash Balances at Beginning of Year	4,816,089	1,738,401	418,211	674,620	130,990	7,778,311
<b>Fund Cash Balances at End of Year</b>	<b>\$2,128,004</b>	<b>\$1,759,594</b>	<b>\$452,680</b>	<b>\$589,515</b>	<b>\$135,489</b>	<b>\$5,065,282</b>

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

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Proprietary Fund Type</b>	<b>Fiduciary Funds</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts</b>			
Sales	\$811,250		\$811,250
Tuition	18,686		18,686
Fees and Services	19,725	572,091	591,816
Extracurricular Activities		230,492	230,492
Other	14,551	6,376	20,927
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	864,212	808,959	1,673,171
<b>Operating Cash Disbursements</b>			
Salaries	431,971	161,714	593,685
Fringe Benefits	278,135	76,917	355,052
Purchased Services	94,927	257,671	352,598
Materials and Supplies	464,280	18,688	482,968
Capital Outlay	15,646	41,806	57,452
Other Objects	1,964	237,984	239,948
	<hr/>	<hr/>	<hr/>
Total Operating Cash Disbursements	1,286,923	794,780	2,081,703
Operating Income (Loss)	(422,711)	14,179	(408,532)
<b>Non-Operating Cash Receipts</b>			
Interest	704	1,610	2,314
Federal and State Subsidies	288,953		288,953
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts	289,657	1,610	291,267
Excess of Receipts Over/(Under) Disbursements Before Other Financing Sources	(133,054)	15,789	(117,265)
<b>Other Financing Sources/ Uses:</b>			
Refund of Prior Year Expenditures	8,310	8,969	17,279
Advances In		1,700	1,700
Advances Out	(4,800)		(4,800)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources/ Uses	3,510	10,669	14,179
Net Receipts Over/(Under) Disbursements	(129,544)	26,458	(103,086)
Fund Cash Balances at Beginning of Year	299,261	361,441	660,702
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances at End of Year</b>	<b>\$169,717</b>	<b>\$387,899</b>	<b>\$557,616</b>

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



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$21,574,025	\$21,544,879	(\$29,146)
Special Revenue Funds	4,024,690	3,934,273	(90,417)
Debt Service Funds	1,509,250	1,520,477	11,227
Capital Project Funds	97,000	120,824	23,824
<b>Proprietary:</b>			
Enterprise Funds	1,208,500	1,162,179	(46,321)
<b>Fiduciary:</b>			
Trust and Agency Funds	823,700	850,283	26,583
Total (Memorandum Only)	<u>\$29,237,165</u>	<u>\$29,132,915</u>	<u>(\$104,250)</u>

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

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover Appropriations</b>	<b>2004 Appropriations</b>	<b>Total</b>
<b>Governmental:</b>			
General Fund	\$1,349,885	\$25,000,000	\$26,349,885
Special Revenue Funds	265,976	4,610,401	4,876,377
Debt Service Funds		1,493,900	1,493,900
Capital Project Funds	44,042	722,534	766,576
<b>Proprietary:</b>			
Enterprise Funds	54,047	1,398,801	1,452,848
<b>Fiduciary:</b>			
Trust & Agency Funds	31,027	1,063,000	1,094,027
 Total (Memorandum Only)	 <u>\$1,744,977</u>	 <u>\$34,288,636</u>	 <u>\$36,033,613</u>

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

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/04</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$24,232,964	\$1,304,691	\$25,537,655	\$812,230
3,913,080	263,413	4,176,493	699,884
1,486,008		1,486,008	7,892
205,929	413,277	619,206	147,370
1,291,723	62,384	1,354,107	98,741
819,326	50,007	869,333	224,694
<u>\$31,949,030</u>	<u>\$2,093,772</u>	<u>\$34,042,802</u>	<u>\$1,990,811</u>

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**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

**Reporting Entity**

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

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis Of Accounting**

As required by Ohio Administrative Code Section 117-2-03 (B), the School District had prepared its annual financial report in accordance with generally accepted accounting principles. However, the School District chose to have audited its financial statements prepared on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

**B. Fund Accounting**

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

**1. Governmental Fund Types**

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

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

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

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

**2. Proprietary Fund Types**

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

**Enterprise Funds** - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**C. Budgetary Process**

**1. Budget**

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

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year.

Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

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

**4. Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Investments**

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

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

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**E. Unpaid Vacation and Sick Leave**

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

**F. Property, Plant and Equipment**

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

**G. Total Columns on Financial Statements**

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

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2004, a fund type reclassification was reported for the School District's Workers Compensation Fund. This change had the following effect on fund balances as previously reported:

	<b>Fund Balance/ Retained Earnings June 30, 2003</b>	<b>Accrual Adjustment</b>	<b>Restated Fund Balance July 1, 2003</b>
Special Revenue	\$1,668,535	\$69,866	\$1,738,401
Agency	431,307	(69,866)	361,441
	<u>\$2,099,842</u>	<u>\$0</u>	<u>\$2,099,842</u>

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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

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

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

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

As of June 30, 2004, the School District had \$585 in undeposited cash on hand which is included in the fund balance.

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

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**Deposits:** At June 30, 2004, the carrying amount of the School District's deposits was \$3,383,482 and the bank balance was \$3,885,762. Of the bank balance, \$588,291 was covered by federal depository insurance and \$3,297,471 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Federal Farm Credit Bank Note	\$148,970	\$0	\$148,970	\$149,575
Federal Home Loan Mortgage Association Notes	376,070	0	376,070	381,786
Federal Home Loan Bank Bond	423,223	0	423,223	430,361
Federal National Mortgage Association Note	98,063	0	98,063	100,543
Federal National Mortgage Association Bond	33,535	0	33,535	34,061
Repurchase Agreement	0	1,140,384	1,140,384	1,140,384
	<u>\$1,079,861</u>	<u>\$1,140,384</u>	2,220,245	2,236,710
Mutual Funds			2,121	2,121
Totals			<u>\$2,222,366</u>	<u>\$2,238,831</u>

**5. PROPERTY TAX**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**5. PROPERTY TAX (Continued)**

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mercer County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<b>2003 Second-Half Collections</b>		<b>2004 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Property:				
Residential/Agricultural & Commercial/Industrial	\$284,529,480	85.92%	\$290,293,340	86.57%
Public Utilities	10,233,970	3.09	9,521,080	2.84
Tangible Personal Property:				
General	<u>36,377,370</u>	<u>10.99</u>	<u>35,498,715</u>	<u>10.59</u>
Total Valuation	<u>\$331,140,820</u>	<u>100.00%</u>	<u>\$335,313,135</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.75		\$34.75	

**6. PAYMENT IN LIEU OF TAXES**

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

**7. INCOME TAX**

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax levy was effective on January 1, 1994. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2004, consisted of the following:

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
Governmental Activities				
General Obligation Bonds				
1996 School Improvement				
Serial Bonds 3.4 - 5%	\$1,130,000	\$0	\$530,000	\$ 600,000
Term Bonds 5.25 - 5.70%	13,145,000	0	0	13,145,000
Original Issue of Capital Appreciation Bonds				
14.875 - 16.4%	407,923	0	0	407,923
Accretion on Capital Appreciation Bonds	798,890	196,174	0	995,064
Total 1996 School Improvement	<u>15,481,813</u>	<u>196,174</u>	<u>530,000</u>	<u>15,147,987</u>
Energy Conservation Bonds				
4.8 - 9.5%	330,000	0	110,000	220,000
Asbestos Removal Loan 0%	241,423	0	43,895	197,528
Van Loan 0%	21,360	0	5,026	16,334
Total Debt Obligations	<u>\$16,074,596</u>	<u>\$196,174</u>	<u>\$688,921</u>	<u>\$15,581,849</u>

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

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

<u>Year</u>	<u>Amount</u>
2008	\$650,000
2009	695,000
2010	745,000

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

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

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

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

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

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

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

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

The capital appreciation bonds will mature in fiscal years 2005 through 2007. The maturity amount of the bonds is \$1,735,000. For fiscal year 2004 \$196,174 was accreted for a total bond value of \$1,402,987.

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

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

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

The School District's overall debt margin was \$16,665,862 with an unvoted debt margin of \$335,313 at June 30, 2004.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, were as follows:

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. DEBT OBLIGATIONS (Continued)**

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Serial</b>		<b>Term</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	\$0	\$30,600	\$0	\$714,398
2006	0	30,600	0	714,397
2007	0	30,600	0	714,398
2008	600,000	15,300	0	714,397
2009	0	0	650,000	697,173
2010-2014	0	0	4,070,000	2,886,948
2015-2019	0	0	5,770,000	1,514,400
2020-2021	0	0	2,655,000	136,631
Totals	<u>\$600,000</u>	<u>\$107,100</u>	<u>\$13,145,000</u>	<u>\$8,092,742</u>

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds Capital Appreciation</b>		<b>Energy Conservation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2005	\$163,974	\$401,026	\$110,000	\$8,965
2006	133,365	446,635	110,000	2,998
2007	110,584	479,416	0	0
Totals	<u>\$407,923</u>	<u>\$1,327,077</u>	<u>\$220,000</u>	<u>\$11,963</u>

<b>Fiscal Year Ending</b>	<b>Asbestos Removal Loan</b>	<b>Van Loan</b>
2005	\$43,896	\$5,026
2006	43,896	5,026
2007	43,896	5,026
2008	43,896	1,256
2009	21,944	0
Totals	<u>\$197,528</u>	<u>\$16,334</u>

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

**9. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following insurance coverage.

Coverage provided by Midwestern Indemnity Company is as follows:	
Building and Contents	\$72,506,658
School District Liability	
Per Occurrence	1,000,000
Per Aggregate	2,000,000
Commercial Auto	
Liability	1,000,000
Uninsured Motorist	1,000,000
Commercial Umbrella Liability	3,000,000

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

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

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan 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 Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

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

**10. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$1,607,362, \$1,599,445 and \$1,100,423, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002. Contributions for the DCP and CP for the fiscal year ended June 30, 2004, were \$322 made by the School District and \$8,876 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS of Ohio), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS of Ohio issues a publicly available financial report that includes financial statements and required supplementary

information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$321,305, \$301,244 and \$190,618, respectively; 48 percent has been contributed for fiscal year 2004 and 100 percent has been contributed for fiscal years 2003 and 2002.

**C. Social Security System**

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



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**11. 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 of Ohio), and to retired classified employees and their dependents through the School Employees Retirement System of Ohio (SERS of Ohio). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS of Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$123,668.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 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 50 percent premium reduction is allowed for retirees whose household income falls below federal poverty levels.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$24,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$244,248 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**12. JOINTLY GOVERNED ORGANIZATIONS**

**A. Mercer County Local Professional Development Committee**

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

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**B. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**C. West Central Regional Professional Development Center**

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

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sandy Knudson, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**E. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2004, the School District paid \$11,573 to the NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**13. GROUP INSURANCE PURCHASING POOL**

**Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by a five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**The Mercer Auglaize Schools Employee Benefit Trust** - The Mercer Auglaize Schools Employee Benefit Trust (Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

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

**14. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisitions</b>
Set-Aside Cash Balance as of June 30, 2003	\$142,395	\$374,473
Required Set-Aside	446,222	446,222
Qualifying Expenditures	<u>(507,518)</u>	<u>(179,253)</u>
Balance Carried Forward to Subsequent Year	<u>\$ 81,099</u>	<u>\$ 641,442</u>

**15. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**15. 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 plan is unconstitutional.

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

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

**16. CONTRACTUAL COMMITMENTS**

At June 30, 2004 the School District had the following outstanding contractual commitments:

<u>Contractor / Vendor</u>	<u>Amount</u>	<u>Description</u>
Celina Glass Co, Inc	\$369,318	window replacement project
Outdoor Aluminum, Inc	20,375	bleachers
Poormans Heating & Air	21,822	boiler replacement
Miami Valley International Truck	59,856	72 passenger diesel bus

**17. SUBSEQUENT EVENT**

On September 1, 2004, the School District issued \$13,844,004 in general obligation refunding bonds with interest rates of 2 percent to 4.25 percent, to refund \$13,745,000 of the 1996 School Improvements general obligation bonds.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
National School Breakfast Program	043729-05PU-2004	10.553	\$ 20,087		\$ 20,087	
National School Breakfast Program	043729-05PU-2003	10.553	4,012		4,012	
National School Lunch Program	043729-LLP1-2003/2004	10.555	948		948	
National School Lunch Program	043729-LLP4-2003/2004	10.555	248,447		248,447	
Child Care Food Program	043729-C CCP-2004	10.558	2,638		2,638	
Child Care Food Program	043729-C CCP-2003	10.558	310		310	
Child Care Food Program	043729-CCMO-2004	10.558	45,770		45,770	
Child Care Food Program	043729-CCMO-2003	10.558	5,471		5,471	
Food Distribution Program	N/A	10.550		184,140		184,140
Total U.S. Department of Agriculture - Nutrition Cluster			327,683	184,140	327,683	184,140
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Special Education Cluster						
Special Education - Grants to States	043729-6BSF-2004	84.027	396,046		413,987	
Special Education - Grants to States	043729-6BSF-2003-P	84.027	26,640		50,726	
Total			422,686		464,713	
Handicapped Preschool	04379-PGS1-2004	84.173	33,581		33,494	
Handicapped Preschool	04379-PGS1-2003-P	84.173	(778)		259	
Total			32,803		33,753	
Total Special Education Cluster			455,489		498,466	
Title I Grants to Local Educational Agencies	043729-C1S1-2004	84.010	418,274		407,005	
Title I Grants to Local Educational Agencies	043729-C1S1-2003	84.010	9,387		46,868	
Total			427,661		453,873	
Improving Teacher Quality State Grant	043729-TRS1-2004	84.367	122,293		116,636	
Improving Teacher Quality State Grant	043729-TRS1-2003	84.367	(1,791)		15,642	
Total			120,502		132,278	
Vocational-Education-Occupational & Employment Information State Grant	VEACRN-2003-OCIS-01	84.346	0		1,000	
Vocational-Education-Occupational & Employment Information State Grant	OE00-2004	84.346	5,000		4,500	
Total			5,000		5,500	
Vocational Education Basic Grants to State	043729-20C1-2004	84.048	123,723		119,760	
Vocational Education Basic Grants to State	043729-20C1-2003	84.048	21,424		16,301	
Total			145,147		136,061	
Safe & Drug Free Schools and Communities - State Grants	043729-DRS1-2004	84.186	10,732		8,124	
Safe & Drug Free Schools and Communities - State Grants	043729-DRS1-2003	84.186	(1,142)		0	
Total			9,590		8,124	
Title VI - Innovative Education Program	043729-C2S1-2004	84.298	17,777		16,934	
Total			17,777		16,934	
Education Technology State Grants	043729-TJS1-2004	84.318	7,497		7,581	
Total			7,497		7,581	
Technology Literacy Challenge Fund Grants	043729-ATS4-2002	84.352A	8,742		8,742	
Technology Literacy Challenge Fund Grants	043729-ATS3-2002	84.352A	(980)		0	
Total			7,762		8,742	
Total U. S. Department of Education			1,196,425		1,267,559	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Direct Program						
Headstart Program	G 05CH5331 / 28	93.600	479,655		490,055	
Headstart Program	G 05CH5331 / 29	93.600	550,345		554,503	
Total Headstart Program			1,030,000		1,044,558	
Total U.S. Department of Health and Human Services			1,030,000		1,044,558	
<b>Total Federal Assistance</b>			<b>\$ 2,554,108</b>	<b>\$ 184,140</b>	<b>\$ 2,639,800</b>	<b>\$ 184,140</b>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2004**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- NUTRITION CLUSTER**

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

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

**NOTE C -- PROGRAM YEAR TRANSFERS**

The negative receipts recorded on the schedule for CFDA #84.173, 84.367, and 84.186 represent transfers between the 2003 and 2004 program years within the same CFDA No. The transfer is recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.

**NOTE D -- RETURN OF UNUSED FUNDS**

The negative receipt recorded on the schedule for CFDA # 84.352A represents the return of funds unused by the end of the program year.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Celina City School District, Mercer County (School District), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 2, 2005 wherein we noted that the School District reported on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated February 2, 2005.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 2, 2005.

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

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

**Betty Montgomery**  
Auditor of State

February 2, 2005





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Celina City School District, Mercer County (School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

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

**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

February 2, 2005

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2004**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010: Title I Grants to Local Education Agencies: CFDA #84.027 & 84.173: Special Education Cluster:
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CELINA CITY SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 10, 2005**