



**Auditor of State  
Betty Montgomery**



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Celina City School District, Mercer County, (the School District), as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Severance Funds for the fiscal year then ended in conformity with the basis of accounting Note 1 describes.

For the fiscal year ended June 30, 2005, the School 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 March 14, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Betty Montgomery**  
Auditor of State

March 14, 2006

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

The discussion and analysis of Celina City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005, within the limitations of modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2005 are as follows:

- On September 1, 2004, the School District issued school improvement general obligation bonds, in the amount of \$13,744,994, to refund the serial and term bonds from the 1996 school improvement general obligation bonds, in the amount of \$13,745,000. The School District is still responsible for the payment of the capital appreciation bonds from the 1996 bond issue, which is due on December 1, 2006, and December 1, 2007.
- Legislative changes have been made on the student ADM calculation. This combined with declining enrollment have dropped foundation revenue received from the State by 6 percent for fiscal year 2005.
- Health care premiums under the First Dollar plan with the Mercer Auglaize Schools Employee Benefit Trust did not increase during January 2005; however, the prescription drug premium increased by 20 percent and the dental insurance premium increased by 8 percent.
- During fiscal year 2003, the Board of Education agreed to a sixteen month negotiated agreement with certified employees. This agreement included no salary increases, a one percent increase in retirement deduction pickup, and a change in calculating the sick leave severance payment for any employees retiring after September 1, 2003. The Board of Education negotiated with classified employees a one-year salary opener which included no salary increase and a one percent increase in retirement deduction pickup.
- On December 23, 2004, both unions approved new contracts that extend through June 30, 2006. Nonunion member compensation plans were approved on January 10, 2005. Both contracts and the compensation plan were retroactive to the start of their respective contract year. The agreement required the payment of all back pay for the pay periods starting with the beginning of the new school year to the date of the agreement to be paid prior to January 30, 2005. For fiscal year 2005, salaries and wages increased by 2.75 percent and fiscal year 2006 will be increased by 2.25 percent.
- The agreements also changed Board support of health care from First Dollar coverage to PPO coverage. The employee will be charged the difference in premiums as a payroll deduction between the two plans should they choose to stay with the First Dollar coverage. Based on the change in health care, the School District reduced fringe benefit expenses by \$400,000.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**Using the Basic Financial Statements**

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.

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. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the School District's modified cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the modified cash basis of accounting, certain assets and their related receipts (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 with this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Celina City School District, the General Fund, Severance Fund and the Bond Retirement Fund are the most significant funds.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. 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. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

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

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Severance Fund and the Bond Retirement Fund.

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

**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 from these funds are not available to support the School District's programs.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004:

**Table 1  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets:</b>	<b>\$5,017,173</b>	<b>\$5,228,714</b>
<b>Net Assets:</b>		
Restricted	2,833,495	2,761,674
Unrestricted	2,183,678	2,467,040
Total Net Assets	<b>\$5,017,173</b>	<b>\$5,228,714</b>

Total net assets decreased \$211,541, or 4 percent, not a significant decrease.

Table 2 reflects the change in net assets for fiscal year 2005. Since the School District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**Table 2  
Change in Net Assets**

	<b>Governmental Activities 2005</b>
<b>Receipts:</b>	
Program Receipts	
Charges for Services	\$2,786,392
Operating Grants, Contributions, and Interest	4,256,264
Operating Grants and Contributions	78,008
Total Program Receipts	7,120,664
General Receipts	
Property Taxes Levied for General Purposes	9,287,507
Property Taxes Levied for Debt Service	1,343,608
Income Taxes	1,813,544
Payment in Lieu of Taxes	30,552
Grants and Entitlements	10,344,395
Interest	124,240
Miscellaneous	180,755
Refunding Bonds Issued	13,744,994
Premium on Refunding Bonds Issued	1,247,266
Accrued Interest on Refunding Bonds Issued	19,163
Total General Receipts	38,136,024
Total Receipts	45,256,688
<b>Disbursements:</b>	
Instruction:	
Regular	12,778,681
Special	3,340,669
Vocational	1,500,834
Adult/Continuing	10,920
<b>Support Services:</b>	
Pupils	1,587,893
Instructional Staff	1,043,094
Board of Education	157,304
Administration	1,840,173
Fiscal	818,640
Business	145,051
Operation and Maintenance of Plant	2,287,145
Pupil Transportation	1,170,247
Central	15,820
Non-instructional Services	1,329,797
Extracurricular Activities	740,158
Capital Outlay	409,025
Intergovernmental	10,000
<b>Debt Service:</b>	
Principal Retirement	522,896
Interest and Fiscal Charges	777,553
Issuance Costs	214,476
Payment to Escrow Agent	14,767,853
Total Disbursements	45,468,229
Decrease in Net Assets	(\$211,541)

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

The most significant receipt during fiscal year 2005 was from the issuance of the refunding general obligation bonds. Total receipts, in the amount of \$15,011,423, resulted from the issuance of principal and premiums. These resources were 33 percent of total receipts.

Program receipts represent almost 16 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

Other general receipts represent 51 percent of the School District's total receipts, and of this amount, almost 45 percent is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property and income taxes basically make up the balance of the School District's general receipts. Other receipts, such as interest and miscellaneous receipts are very insignificant and somewhat unpredictable receipt sources.

The major program disbursements for governmental activities are for instruction, which accounts for 60 percent of all disbursements, excluding debt-related activities. Other programs which support the instruction process, including pupils, instructional staff, administration, operation and maintenance of plant, and transportation account for 27 percent of all disbursements, again, excluding debt service.

A significant portion of total disbursements consisted of refunding the majority of the School District's 1996 general obligation bonds, in the amount of \$14,767,853.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
<b>Instruction:</b>		
Regular	\$12,778,681	\$11,814,267
Special	3,340,669	266,103
Vocational	1,500,834	34,097
Adult/Continuing	10,920	(21,397)
<b>Support Services:</b>		
Pupils	1,587,893	1,555,172
Instructional Staff	1,043,094	1,024,709
Board of Education	157,304	157,304
Administration	1,840,173	1,840,173
Fiscal	818,640	818,640
Business	145,051	145,051
Operation and Maintenance of Plant	2,287,145	2,287,145
Pupil Transportation	1,170,247	1,101,456
Central	15,820	15,820
Non-instructional Services	1,329,797	137,503
Extracurricular Activities	740,158	469,719
Capital Outlay	409,025	409,025
Intergovernmental	10,000	10,000
<b>Debt Service:</b>		
Principal Retirement	522,896	522,896
Interest and Fiscal Charges	777,553	777,553
Issuance Costs	214,476	214,476
Payment to Escrow Agent	14,767,853	14,767,853
<b>Total Disbursements</b>	<b>\$45,468,229</b>	<b>\$38,347,565</b>

Instructional activities were supported by tax receipts and unrestricted grants and entitlements by 69 percent. Special and adult/continuing instruction activities are largely provided for through operating grants. This is the result of operating grants restricted for special instruction purposes and adult/continuing instruction purposes.

Non-instructional services received 90 percent of its resources through user charges from cafeteria sales, state and federal subsidies, and donated commodities for food services. The School District also receives a large amount of operating grants for the number of students receiving their education through the parochial school which is reported within non-instructional services.

Lastly, only 37 percent of extracurricular activities expenses are covered by program revenues. This is primarily music and athletic fees, ticket sales, and gate receipts.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**The School District's Funds**

The School District's governmental funds are accounted for using the modified cash basis of accounting. Staffing reductions impacted the positive change in the General Fund balance. Of the twelve teachers/administrators that left the School District at the end of fiscal year 2004 and the five teachers/administrators who left during fiscal year 2005, only nine were replaced during fiscal year 2005.

The most significant change was in the Severance Fund with a decrease in fund balance, in the amount of \$299,707. The Severance Fund is funded by a percentage of gross wages. The School District continues to offer retirement incentives. Of the seventeen employees that left, twelve retired, of which eleven were eligible for the sick leave incentives.

Property tax receipts in the Bond Retirement Fund continue to be sufficient to cover debt service requirements. During fiscal year 2005, the School District refunded the serial and term bonds from the 1996 school improvement general obligation bonds.

**Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2005, the School District amended its General Fund budget as needed. For receipts, the changes from original to final budget and from final budget to actual receipts were not significant.

The School District appropriates on the object level for each fund. There was an insignificant increase between original and final appropriations. Final disbursements were budgeted at \$25,404,689 while actual disbursements were \$24,681,248. The School District was able to keep spending very close to budgeted amounts as demonstrated by the small variances between final appropriations and actual disbursements.

**Debt Administration**

On September 1, 2004, the School District issued \$13,744,994 in general obligation refunding bonds, consisting of \$13,600,000 in serial bonds and \$144,994 in capital appreciation bonds, with interest rates of 2 percent to 4.25 percent, to refund \$13,745,000 of the 1996 School Improvement general obligation bonds. The net proceeds and premium, in the amount of \$13,744,994 and \$1,022,859, respectively, (after payment of \$224,407 in underwriting fees, insurance, and other issuance costs, of which \$9,931 was refunded back to the School District) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$13,745,000 of the 1996 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds will be removed from the School District's long-term obligations.

Although the advance refunding will result in the recognition of an accounting loss of \$1,022,853 for the fiscal year ended June 30, 2005, the School District in effect lowered its aggregated debt service payments by \$873,244 over the next seventeen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$674,810.

At June 30, 2005, the School District's outstanding debt included school improvement obligation bonds, an energy conservation loan, an asbestos removal loan, and a bank loan, in the amount of \$14,063,883. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**Current Issues**

The School District has predicted long range deficits on the last several five-year forecasts. Therefore, the Board and Administration have developed strategies over the years to reduce, avoid, or delay the predicted deficits. All areas of the budget are being continually analyzed in an effort to recognize areas of possible reductions. Since approximately 80 percent of the budget is staff and staff related costs, making cuts to salaries and fringe benefits is evident. Over the last few years, staffing numbers have been reduced. In several instances, employees who had retired have been rehired at lower salaries and limited benefits. Health insurance plans have been modified to reduce premium costs and employee contributions towards the premiums have increased through the negotiation process. Student instructional service delivery systems have been reviewed and streamlined to reduce costs.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mike Marbaugh, Treasurer, Celina City School District, 585 East Livingston Street, Celina, Ohio 45822.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,017,173</u>
<b>Net Assets</b>	
Restricted for:	
Debt Service	660,878
Capital Projects	321,361
Other Purposes	1,851,256
Unrestricted	<u>2,183,678</u>
Total Net Assets	<u><u>\$5,017,173</u></u>

*See accompanying notes to the basic financial statements.*

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

	<u>Program Cash Receipts</u>			<b>Net (Disbursement) Receipt and Change in Net Assets</b>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>					
Instruction:					
Regular	\$12,778,681	\$655,753	\$308,661		(\$11,814,267)
Special	3,340,669	40,101	3,024,465	10,000	(266,103)
Vocational	1,500,834	1,146,840	319,897		(34,097)
Adult/Continuing	10,920	13,617	18,700		21,397
Support Services:					
Pupils	1,587,893		32,721		(1,555,172)
Instructional Staff	1,043,094	18,160	225		(1,024,709)
Board of Education	157,304				(157,304)
Administration	1,840,173				(1,840,173)
Fiscal	818,640				(818,640)
Business	145,051				(145,051)
Operation and Maintenance					
of Plant	2,287,145				(2,287,145)
Pupil Transportation	1,170,247	4,250	42,538	22,003	(1,101,456)
Central	15,820				(15,820)
Noninstructional Services	1,329,797	685,820	506,474		(137,503)
Extracurricular Activities	740,158	221,851	2,583	46,005	(469,719)
Capital Outlay:					
Intergovernmental	409,025				(409,025)
	10,000				(10,000)
Debt Service					
Principal Retirement	522,896				(522,896)
Interest and Fiscal Charges	777,553				(777,553)
Issuance Costs	214,476				(214,476)
Payment to Escrow Agent	14,767,853				(14,767,853)
<b>Total Governmental Activities</b>	<b>\$45,468,229</b>	<b>\$2,786,392</b>	<b>\$4,256,264</b>	<b>\$78,008</b>	<b>(38,347,565)</b>

**General Receipts**

Property Taxes Levied for:

General Purposes	9,287,507
Debt Service	1,343,608
Income Taxes	1,813,544
Payment in Lieu of Taxes	30,552
Grants and Entitlements Not Restricted to Specific Programs	10,344,395
Interest	124,240
Miscellaneous	180,755
Refunding Bonds Issued	13,744,994
Premium on Refunding Bonds Issued	1,247,266
Accrued Interest on Refunding Bonds Issued	19,163

Total General Receipts 38,136,024

Change in Net Assets (211,541)

Net Assets at Beginning of Year 5,228,714

Net Assets at End of Year \$5,017,173

See accompanying notes to the basic financial statements.



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

	<u>General</u>	<u>Severance</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,439,595	\$744,083	\$660,878	\$1,305,393	\$4,149,949
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	867,224				867,224
Total Assets	<u>2,306,819</u>	<u>744,083</u>	<u>660,878</u>	<u>1,305,393</u>	<u>5,017,173</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	734,961	2,625		407,700	1,145,286
Reserved for Capital Improvements	813,020				813,020
Reserved for Bus Purchases	41,558				41,558
Reserved for Unclaimed Monies	12,646				12,646
Unreserved, Designated for Termination Benefits		741,458			741,458
Unreserved, Reported in General Fund	704,634				704,634
Special Revenue Funds				735,184	735,184
Debt Service Fund			660,878		660,878
Capital Projects Funds				162,509	162,509
Total Fund Balances	<u>\$2,306,819</u>	<u>\$744,083</u>	<u>\$660,878</u>	<u>\$1,305,393</u>	<u>\$5,017,173</u>

*See accompanying notes to the basic financial statements.*

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

	<u>General</u>	<u>Severance</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Receipts</b>					
Property Taxes	\$9,287,507		\$1,343,608		\$10,631,115
Income Taxes	1,813,544				1,813,544
Payment in Lieu of Taxes				30,552	30,552
Intergovernmental	11,186,519		143,391	3,270,795	14,600,705
Interest	83,632	18,728	14,905	10,338	127,603
Tuition and Fees	1,359,374			13,712	1,373,086
Charges for Services		201,010		987,366	1,188,376
Extracurricular Activities				552,408	552,408
Gifts and Donations				74,599	74,599
Miscellaneous	210,469	10,349		19,713	240,531
<b>Total Receipts</b>	<u>23,941,045</u>	<u>230,087</u>	<u>1,501,904</u>	<u>4,959,483</u>	<u>30,632,519</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	12,015,617	333,108		626,796	12,975,521
Special	2,245,063	43,278		1,085,075	3,373,416
Vocational	1,205,716	45,870		268,515	1,520,101
Adult/Continuing				29,701	29,701
Support Services:					
Pupils	1,147,033	13,955		446,689	1,607,677
Instructional Staff	755,481			297,396	1,052,877
Board of Education	157,348				157,348
Administration	1,641,508	70,258		369,026	2,080,792
Fiscal	576,640		27,376	4,000	608,016
Business	147,093				147,093
Operation and Maintenance of Plant	2,239,908			74,530	2,314,438
Pupil Transportation	974,569	6,460		198,555	1,179,584
Central	70			15,750	15,820
Noninstructional Services		16,865		1,327,010	1,343,875
Extracurricular Activities	535,127			212,294	747,421
Capital Outlay				409,025	409,025
Intergovernmental				10,000	10,000
Debt Service:					
Principal Retirement			517,870	5,026	522,896
Interest and Fiscal Charges			777,553		777,553
Issuance Costs			214,476		214,476
<b>Total Disbursements</b>	<u>23,641,173</u>	<u>529,794</u>	<u>1,537,275</u>	<u>5,379,388</u>	<u>31,087,630</u>
Excess of Receipts Over (Under) Disbursements	<u>299,872</u>	<u>(299,707)</u>	<u>(35,371)</u>	<u>(419,905)</u>	<u>(455,111)</u>
<b>Other Financing Sources (Uses)</b>					
Refunding Bonds Issued			13,744,994		13,744,994
Premium on Refunding Bonds Issued			1,247,266		1,247,266
Accrued Interest on Refunding Bonds Issued			19,163		19,163
Payment to Escrow Agent			(14,767,853)		(14,767,853)
Advances In	329,703			408,422	738,125
Advances Out	(408,422)			(329,703)	(738,125)
Transfers In				52,419	52,419
Transfers Out	(52,419)				(52,419)
<b>Total Other Financing Sources (Uses)</b>	<u>(131,138)</u>		<u>243,570</u>	<u>131,138</u>	<u>243,570</u>
Changes in Fund Balances	168,734	(299,707)	208,199	(288,767)	(211,541)
Fund Balances at Beginning of Year	2,138,085	1,043,790	452,679	1,594,160	5,228,714
Fund Balances at End of Year	<u>\$2,306,819</u>	<u>\$744,083</u>	<u>\$660,878</u>	<u>\$1,305,393</u>	<u>\$5,017,173</u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$7,850,413	\$7,850,302	\$9,287,507	\$1,437,205
Income Taxes	2,000,000	1,815,000	1,813,544	(1,456)
Intergovernmental	11,859,587	12,398,624	11,186,519	(1,212,105)
Interest	75,130	80,862	83,443	2,581
Tuition and Fees	952,018	1,355,812	1,359,374	3,562
Miscellaneous	215,852	210,729	210,469	(260)
<b>Total Receipts</b>	<b>22,953,000</b>	<b>23,711,329</b>	<b>23,940,856</b>	<b>229,527</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	14,617,999	12,029,164	11,826,999	202,165
Special	1,944,151	2,482,049	2,413,787	68,262
Vocational	650,911	1,265,204	1,206,301	58,903
Other	1,044,138	541,459	514,326	27,133
Support Services:				
Pupils	961,778	1,187,684	1,151,325	36,359
Instructional Staff	427,975	796,684	768,124	28,560
Board of Education	148,671	222,755	187,027	35,728
Administration	1,076,121	1,707,989	1,659,253	48,736
Fiscal	533,261	663,569	589,052	74,517
Business	133,995	184,914	151,697	33,217
Operation and Maintenance of Plant	2,154,173	2,633,574	2,566,949	66,625
Pupil Transportation	898,455	1,146,420	1,110,211	36,209
Central	2,000	2,100	1,070	1,030
Extracurricular Activities	350,484	541,124	535,127	5,997
<b>Total Disbursements</b>	<b>24,944,112</b>	<b>25,404,689</b>	<b>24,681,248</b>	<b>723,441</b>
Excess of Receipts Over (Under) Disbursements	(1,991,112)	(1,693,360)	(740,392)	952,968
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Receipts	(10,111)	(10,000)		10,000
Advances In	315,000	331,500	329,703	(1,797)
Advances Out		(600,000)	(408,422)	191,578
Transfers Out	(200,000)	(139,889)	(52,419)	87,470
<b>Total Other Financing Sources (Uses)</b>	<b>104,889</b>	<b>(418,389)</b>	<b>(131,138)</b>	<b>287,251</b>
Changes in Fund Balance	(1,886,223)	(2,111,749)	(871,530)	1,240,219
Fund Balance at Beginning of Year	833,393	833,393	833,393	
Prior Year Encumbrances Appropriated	1,304,692	1,304,692	1,304,692	
<b>Fund Balance at End of Year</b>	<b>\$251,862</b>	<b>\$26,336</b>	<b>\$1,266,555</b>	<b>\$1,240,219</b>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
SEVERANCE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Receipts</b>				
Interest	\$15,000	\$22,500	\$18,728	(\$3,772)
Charges for Services	291,110	197,153	201,010	3,857
Miscellaneous		10,347	10,349	2
<b>Total Receipts</b>	<b>306,110</b>	<b>230,000</b>	<b>230,087</b>	<b>87</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	624,176	485,674	333,108	152,566
Special	19,130	43,278	43,278	
Vocational	21,524	45,870	45,870	
Support Services:				
Pupils		13,955	13,955	
Administration	20,154	72,883	72,883	
Pupil Transportation		6,460	6,460	
Noninstructional Services		16,865	16,865	
<b>Total Disbursements</b>	<b>684,984</b>	<b>684,985</b>	<b>532,419</b>	<b>152,566</b>
Changes in Fund Balance	(378,874)	(454,985)	(302,332)	152,653
Fund Balance at Beginning of Year	958,806	958,806	958,806	
Prior Year Encumbrances Appropriated	84,984	84,984	84,984	
<b>Fund Balance at End of Year</b>	<b>\$664,916</b>	<b>\$588,805</b>	<b>\$741,458</b>	<b>\$152,653</b>

*See accompanying notes to the basic financial statements.*

CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
JUNE 30, 2005

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$465,974</u>
<b>Net Assets:</b>	
Held for Payroll Withholdings	74,510
Held for Student Activities	71,712
Undistributed Monies	<u>319,752</u>
Total Net Assets	<u>\$465,974</u>

*See accompanying notes to the basic financial statements.*

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**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

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

Celina City 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 and federal guidelines.

The School District is the 154<sup>th</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. The School District is located in Mercer County, and includes all of the City of Celina and portions of Butler, Center, Franklin, Hopewell, Jefferson, Liberty, and Washington Townships. The School District is staffed by one hundred fifty-three classified employees, two hundred twenty-one certified teaching personnel, and twenty-three administrative employees who provide services to 2,952 students and other community members. The School District currently operates six instructional buildings and a bus garage.

**A. Reporting Entity**

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

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Mercer County Local Professional Development Committee, the West Central Ohio Special Education Regional Resource Center, the West Central Regional Professional Development Center, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Area Computer Services Cooperative, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Mercer Auglaize Schools Employee Benefit Trust. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, and grants, contributions, and interest 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 governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**2. Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental 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.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

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

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund, the Severance special revenue fund, and the Bond Retirement debt service fund.

**General Fund** – The General Fund 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.

**Severance Fund** – The Severance special revenue fund is used to account for a percent (between 1 and 2) of payroll costs to be set aside for the payment of severance payments at the time of retirement.

**Bond Retirement Fund** – The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the school improvement general obligation bonds, energy conservation bonds, and the asbestos removal loan.

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

**2. Fiduciary Funds**

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds during fiscal year 2005. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for the operations of the Tri-Star Compact vocational program, payroll withholdings, and various staff-managed and student-managed activities.

**C. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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 expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund and object level within each fund. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function level are made by the Treasurer.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue 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.

The appropriation resolution is subject to amendment throughout the fiscal 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.

**D. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2005, the School District's investments included non-negotiable certificates of deposit, negotiable certificates of deposit, federal agency securities, and repurchase agreements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$83,632, which included \$16,593 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**E. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the General Fund include unexpended revenues restricted for capital improvements, bus purchases, and unclaimed monies.

**F. Interfund Balances**

On fund financial statements, short-term interfund loans are classified as "Advances In/Out". Interfund balances within governmental activities are eliminated on the statement of net assets.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

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

**G. Capital Assets**

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

**H. Compensated Absences**

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

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, adult education programs, vocational programs, and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The amount of net assets restricted by enabling legislation was \$654,319 as of June 30, 2005.

**K. Fund Balance Reserves and Designations**

The School District reserves those portions of fund equity which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, capital improvements, bus purchases, and unclaimed monies.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for the future payment of those benefits.

**L. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**3. COMPLIANCE**

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

**4. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure" and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

**5. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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.

Interim monies held by the School District 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 and interest by the United States;

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

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

2. Bonds, notes, debentures, or any other obligation 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 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 the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$4,105,940 of the School District's bank balance of \$4,408,520 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

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

**B. Investments**

As of June 30, 2005, the School District had the following investments.

	<u>Total</u>	<u>Less Than Six Months</u>	<u>One to Three Years</u>
Federal Home Loan Bank Bonds	\$370,500		\$370,500
Federal Home Loan Mortgage Corporation Notes	379,452	100,930	278,522
Federal National Mortgage Association Bonds	34,051		34,051
Federal National Mortgage Association Notes	100,000		100,000
Repurchase Agreements	606,413	100,057	506,356
Negotiable Certificates of Deposit	194,000	194,000	
Total Investments	<u>\$1,684,416</u>	<u>\$394,987</u>	<u>\$1,289,429</u>

The School District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The securities underlying the repurchase agreements (Federal Home Loan Bank bond and Freddie Mac Gold) carry a rating of AAA by Moody's. The Federal Home Loan Bank bonds, Federal Home Loan Mortgage Corporation notes, Federal National Mortgage Association bonds, and Federal National Mortgage Association notes, carry a rating of Aaa by Moodys. Negotiable certificates of deposit are insured by the FDIC.

The School District diversifies its investments by security, type, and the institution. With the exception of direct obligations of the U. S. Treasury and STAR Ohio, no more than 50 percent of the School District's total investment portfolio will be invested in a single security type or with a single financial institution. The following table indicates the percentage of each investment to the total portfolio:

	<u>Carrying Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank Bonds	\$370,500	22.00%
Federal Home Loan Mortgage Corporation Notes	379,452	22.53
Federal National Mortgage Association Bonds	34,051	2.02
Federal National Mortgage Association Notes	100,000	5.94
Repurchase Agreements	606,413	36.00
Negotiable Certificates of Deposit	194,000	11.51
Total Investments	<u>\$1,684,146</u>	<u>100.00%</u>

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received during calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received during calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mercer County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 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 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real	\$290,293,340	86.57%	\$294,999,687	87.00%
Public Utility	9,521,080	2.84	9,521,080	2.81
Tangible Personal	35,498,715	10.59	34,544,177	10.19
Total Assessed Value	<u>\$335,313,135</u>	<u>100.00%</u>	<u>\$339,064,944</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.75		\$42.20	

In November, 2004, the voters approved a 7.9 mil five-year emergency operating levy. Collections on this levy began January 1, 2005.

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**7. INCOME TAXES**

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, 2004, for a five-year period. 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.

**8. 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 payment is received annually either as an agreed upon flat amount per year or the amount of estimated taxes that would have been due in that fiscal year. Most of the agreements are for a ten to twenty-five year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**9. INTERFUND BALANCES**

At June 30, 2005, the General Fund had an unpaid interfund cash advance, in the amount of \$408,422, to other governmental funds to provide cash flow resources until the receipt of grant monies.

**10. 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 2005, the School District contracted with various companies for the following insurance coverage:

Building and Contents – Replacement Cost	\$73,529,385
Automobile Liability	1,000,000
Commercial Umbrella	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

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



**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

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.

**11. CONTRACTUAL COMMITMENTS**

As of June 30, 2005, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Alexander and Bebout	CAPT Addition	\$ 56,109
Cardinal Bus Sales	Buses	108,760
Buehlers Asphalt and Paving	Tennis Courts	25,000
Sonco Worldwide	Fencing and Posts	16,080

**12. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

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

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**12. 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, 2005, 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, 2005, 2004, and 2003 was \$1,617,161, \$1,607,362 and \$1,599,445, respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$1,933 made by the School District and \$7,895 made by plan members.

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2005, 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 2005 was 14 percent of annual covered payroll; 10.57 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, 2005, 2004, and 2003 was \$375,962, \$321,305 and \$301,244, respectively; 52 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

**C. Social Security System**

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

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**13. POST-EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by STRS based on authority granted by State statute. STRS is 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. 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 funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$124,546.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS 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. All members must pay a portion of their premium for health care. 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.

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 to fund health care benefits, including the surcharge, was \$176,162 for fiscal year 2005.

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, 2005, 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 58,123 participants currently receiving health care benefits.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. The superintendent and treasurer earn twenty days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent, and the treasurer upon termination of employment. Teachers do not earn vacation time.

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**14. OTHER EMPLOYEE BENEFITS (Continued)**

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Teachers and certified administrators may accumulate unlimited sick leave; however, are limited to a maximum of one hundred sixty days to be used while employed with the School District. For the amount to be received upon retirement, the School District maintains three severance leave banks as described below and severance leave is based on the same accumulation factor as sick leave. Upon retirement, payment will be made as follows:

**Bank A** – The first one hundred sixty days of accumulated sick leave will be payable at the rate of 25 percent of the per diem rate.

**Bank B** – The next one hundred sixty days of accumulated sick leave will be payable at the rate of 20 percent of the per diem rate.

**Bank C** – All additional days shall be payable at the rate of 15 percent of the per diem rate.

Sick leave may be accumulated to a maximum of two hundred days for classified employees. Upon retirement, payment is made for 33 percent of the accumulated sick leave balance not to exceed two hundred days.

**B. Employee Insurance Benefits**

The School District provides medical and dental insurance benefits to all employees through the Mercer Auglaize Schools Employee Benefit Trust. The Board of Education pays the cost of the monthly premiums. The premium varies with each employee depending on marital and family status.

The School District also provides life insurance and accidental death and dismemberment insurance through Met Life Insurance.

For certified employees an optical expense reimbursement provides each employee and their immediate family, based on actual receipts, up to \$200 annually. For classified employees, an optical expense reimbursement provides each employee and their immediate family, based on actual receipts, up to \$100 annually for doctors outside the School District's boundaries and up to \$200 annually for doctors used inside the School District's boundaries.

**C. Early Retirement Incentive**

Through August 31, 2006, the School District's Board of Education approved an early retirement incentive program for STRS employees in lieu of a sick leave severance payment. For STRS employees, the Board of Education will purchase, for all eligible employees who make application in accordance with the provision of the plan and the applicable regulations of the State Teachers Retirement System, one year of retirement service credit. Retirement must be completed no less than ninety days after the employee is notified of the purchase of additional service credit by the Board of Education. These expenses are reflected within the Severance special revenue fund.

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

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

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
1996 School Improvement					
Serial Bonds 3.4 – 5%	\$600,000		\$600,000		
Term Bonds 5.25 – 5.70%	13,145,000		13,145,000		
Original Issue of Capital Appreciation Bonds 14.875 – 16.4%	407,923		163,974	243,949	133,365
Total 1996 School Improvement	<u>14,152,923</u>		<u>13,908,974</u>	<u>243,949</u>	<u>133,365</u>
2005 School Improvement Refunding					
Serial Bonds 2 – 4.25%		13,600,000	200,000	13,400,000	205,000
Original Issue of Capital Appreciation Bonds 37.0475%		144,994		144,994	
Total 2005 School Improvement Refunding		<u>13,744,994</u>	<u>200,000</u>	<u>13,544,994</u>	<u>205,000</u>
Energy Conservation Bonds 4.8 – 9.5%	220,000		110,000	110,000	110,000
Asbestos Removal Loan 0%	197,528		43,896	153,632	43,896
Loans Payable 0%	16,334		5,026	11,308	5,026
Total Governmental Activities Long-Term Liabilities	<u>\$14,586,785</u>	<u>\$13,744,994</u>	<u>\$14,267,896</u>	<u>\$14,063,883</u>	<u>\$497,287</u>

**1996 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. During fiscal year 2005, the School District refunded the serial and term bonds. The capital appreciation bonds are being retired from the Bond Retirement debt service fund with proceeds of the tax levy.

The capital appreciation bonds will mature in fiscal years 2006 and 2007. The maturity amount of the bonds is \$1,170,000.

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

**2005 School Improvement Refunding Bonds** – On September 1, 2004, the School District issued \$13,744,994 in general obligation refunding bonds, consisting of \$13,600,000 in serial bonds and \$144,994 in capital appreciation bonds, with interest rates of 2 percent to 4.25 percent, to refund \$13,745,000 of the 1996 School Improvement general obligation bonds. The net proceeds and premium, in the amount of \$13,744,994 and \$1,022,859, respectively, (after payment of \$224,407 in underwriting fees, insurance, and other issuance costs, of which \$9,931 was refunded back to the School District) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$13,745,000 of the 1996 School Improvement general obligation bonds are considered to be defeased and the liability for those bonds will be removed from the School District's long-term obligations.

Although the advance refunding will result in the recognition of an accounting loss of \$1,022,853 for the fiscal year ended June 30, 2005, the School District in effect lowered its aggregated debt service payments by \$873,244 over the next seventeen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$674,810.

The serial bonds maturing after December 1, 2014, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2014, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date fixed for redemption.

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount for the bonds is \$1,970,000.

**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.

**Loans Payable** – During 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 is being retired from the Athletic special revenue fund.

The School District's overall debt margin was \$17,277,436 with an unvoted debt margin of \$339,065 at June 30, 2005.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2005, were as follows:

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Serial</b>		<b>Capital Appreciation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 205,000	\$ 486,700	\$133,365	\$ 446,635
2006	210,000	482,550	110,584	479,416
2007	815,000	472,300	0	0
2008	850,000	453,525	0	0
2009	880,000	429,700	0	0
2010-2014	3,005,000	1,876,000	144,994	1,825,006
2015-2019	6,200,000	926,181	0	0
2020-2021	1,235,000	26,244	0	0
Totals	<u>\$13,400,000</u>	<u>\$5,153,200</u>	<u>\$388,943</u>	<u>\$2,751,057</u>

  

<b>Fiscal Year Ending</b>	<b>Energy Conservation Loan</b>		<b>Asbestos Removal Loan</b>	<b>Loan</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Principal</b>
	2006	\$110,000	\$2,998	\$ 43,896
2007	0	0	43,896	5,026
2008	0	0	43,896	1,256
2009	0	0	21,944	0
Totals	<u>\$110,000</u>	<u>\$2,998</u>	<u>\$153,632</u>	<u>\$11,308</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.

**16. SET ASIDES**

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2004	\$81,099	\$641,442
Current Year Set Aside Requirement	434,523	434,523
Qualifying Expenditures	(554,366)	(262,945)
Balance June 30, 2005	<u>(\$38,744)</u>	<u>\$813,020</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**17. INTERFUND TRANSFERS**

During fiscal year 2005, the General Fund made transfers to the other governmental funds, in the amount of \$52,419, to subsidize activities of those funds.

**18. 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.

**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 the 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 the Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.



**CELINA CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**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 2005, the School District paid \$25,350 to the NOACSC for various services. Financial information can be obtained from Raymond Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**19. INSURANCE POOLS**

**A. 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.

**B. 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©(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.

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

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

**19. INSURANCE POOLS (Continued)**

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.

**20. 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, 2005.

**B. Litigation**

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

**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster						
National School Breakfast Program	043729-05PU-2004	10.553	\$8,306		\$8,306	
National School Breakfast Program	043729-05PU-2005	10.553	35,152		35,152	
Total			43,458		43,458	
National School Lunch Program	043729-LLP1-05/04	10.555	1,305		1,305	
National School Lunch Program	043729-LLP4-05/04	10.555	321,075		321,075	
Total			322,380		322,380	
Child Care Food Program	043729-CCCP-2004	10.558	271		271	
Child Care Food Program	043729-LUCP-2005	10.558	3,136		3,136	
Child Care Food Program	043729-CCMO-2004	10.558	4,775		4,775	
Child Care Food Program	043729-CCMO-2005	10.558	47,880		47,880	
Total			56,062		56,062	
Food Distribution Program	N/A	10.550		154,510		154,510
Total U.S. Department of Agriculture - Nutrition Cluster			421,900	154,510	421,900	154,510
<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	41,871		23,930	
Special Education - Grants to States	043729-6BSF-2005	84.027	557,363		547,809	
Total			599,234		571,739	
Handicapped Preschool	04379-PGS1-2004	84.173	(87)			
Handicapped Preschool	04379-PGS1-2005	84.173	38,826		41,195	
Total			38,739		41,195	
Total Special Education Cluster			637,973		612,934	
Title I Grants to Local Educational Agencies	043729-C1S1-2004	84.010	23,738		35,007	
Title I Grants to Local Educational Agencies	043729-C1S1-2005	84.010	438,896		422,090	
Total			462,634		457,097	
Improving Teacher Quality State Grant	043729-TRS1-2004	84.367	8,660		14,316	
Improving Teacher Quality State Grant	043729-TRS1-2005	84.367	177,186		167,182	
Total			185,846		181,498	
Voc-Educ-Occupational & Employment Information State Grant	OE00-2004	84.346			500	
Vocational Education Basic Grants to State	043729-20C1-2004	84.048	18,553			
Vocational Education Basic Grants to State	043729-20C1-2005	84.048	145,606		144,454	
Total			164,159		144,454	
Safe & Drug Free Schools and Communities - State Grants	043729-DRS1-2004	84.186	(609)		2,000	
Safe & Drug Free Schools and Communities - State Grants	043729-DRS1-2005	84.186	9,533		9,533	
Total			8,924		11,533	
Title VI - Innovative Education Program	043729-C2S1-2005	84.298	13,324		11,694	
Title VI - Innovative Education Program	043729-C2S1-2004	84.298	637		1,479	
Total			13,961		13,173	
Education Technology State Grants	043729-TJS1-2005	84.318	5,931		4,874	
Education Technology State Grants	043729-TJS1-2004	84.318	84			
Total			6,015		4,874	
Total U. S. Department of Education			1,479,512		1,426,063	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Direct Program						
Headstart Program	G 05CH5331 / 28	93.600	13,070		13,070	
Headstart Program	G 05CH5331 / 29	93.600	467,858		463,699	
Headstart Program	G 05CH5331 / 30	93.600	514,072		503,056	
Total			995,000		979,825	
<b>Total Federal Assistance</b>			<b>\$2,896,412</b>	<b>\$154,510</b>	<b>\$2,827,788</b>	<b>\$154,510</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, 2005**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- NUTRITION CLUSTER**

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

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

**NOTE C -- PROGRAM YEAR TRANSFERS**

The negative receipt recorded on the schedule for CFDA # 84.173 and 84.186 represent transfers between the 2004 and 2005 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.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 the governmental activities, each major fund, and the aggregate remaining fund information of the Celina City School District, Mercer County, (the School District), as of and for the fiscal year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 14, 2006, wherein we noted that the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions 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.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School 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 School District's management dated March 14, 2006, we reported other matters related to noncompliance we deemed immaterial.

Celina City School District  
Mercer County  
Independent Accountants' Report on Compliance and Internal Control  
And Other Matters Required by *Government Auditing Standards*  
Page 2

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

March 14, 2006



## Auditor of State Betty Montgomery

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

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 the Celina City School District, Mercer County, (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

The School District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

March 14, 2006



**CELINA CITY SCHOOL DISTRICT  
MERCER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 noncompliance at the financial statement level (GAGAS)?</b>	Yes
<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 # 93.600: Head Start Program
<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**

**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 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 District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with generally accepted accounting principles.

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

None



**Auditor of State  
Betty Montgomery**

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**CELINA CITY SCHOOL DISTRICT**

**MERCER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2006**