



Mary Taylor, CPA
Auditor of State

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Celina City School District
Mercer County
585 E. 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 Celina City School District, Mercer County, (the School District), as of and for the year ended June 30, 2007, 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Celina City School District, Mercer County, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2008, 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.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 2, 2008

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

The discussion and analysis of Celina City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007, 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.

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 and Bond Retirement debt service 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 2007, 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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

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, extracurricular activities, and capital outlay disbursements.

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 and Bond Retirement debt service fund.

Governmental Funds - All 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 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 2007 and fiscal year 2006:

Table 1			
Governmental Activities			
Net Assets			
	2007	2006	Change
Assets	<u>\$11,734,621</u>	<u>\$8,721,774</u>	<u>\$3,012,847</u>
Net Assets			
Restricted	\$3,154,611	\$2,871,052	\$283,559
Unrestricted	8,580,010	5,850,722	2,729,288
Total Net Assets	<u>\$11,734,621</u>	<u>\$8,721,774</u>	<u>\$3,012,847</u>

Total net assets increased \$3,012,847, or 35 percent. For fiscal year 2006 and 2007, property tax receipts, along with increases in Foundation and interest receipts, continued to keep the total receipts greater than the disbursements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

**Table 2
Governmental Activities
Change in Net Assets**

	2007	2006	Change
Receipts			
Program Receipts			
Charges for Services	\$ 2,597,474	\$2,609,113	(\$11,639)
Operating Grants, Contributions, and Interest	4,365,835	4,322,761	43,074
Operating Grants and Contributions	50,440	122,810	(72,370)
Total Program Receipts	<u>7,013,749</u>	<u>7,054,684</u>	<u>(40,935)</u>
General Receipts			
Property Taxes Levied for General Purposes	11,243,368	11,099,918	143,450
Property Taxes Levied for Debt Service	1,140,378	1,290,182	(149,804)
Income Taxes	2,402,955	2,349,206	53,749
Payment in Lieu of Taxes	120,495	116,535	3,960
Grants and Entitlements	11,252,945	11,017,646	235,299
Interest	625,400	349,158	276,242
Miscellaneous	140,724	165,949	(25,225)
Total General Receipts	<u>26,926,265</u>	<u>26,388,594</u>	<u>537,671</u>
Total Receipts	<u>33,940,014</u>	<u>33,443,278</u>	<u>496,736</u>
Disbursements			
Instruction			
Regular	12,739,234	12,224,758	514,476
Special	3,689,618	3,322,110	367,508
Vocational	1,331,102	1,325,395	5,707
Adult/Continuing	94	16,571	(16,477)
Support Services			
Pupils	1,689,929	1,613,500	76,429
Instructional Staff	1,110,203	1,035,195	75,008
Board of Education	90,589	129,851	(39,262)
Administration	2,016,375	1,966,974	49,401
Fiscal	683,497	641,114	42,383
Business	209,329	217,068	(7,739)
Operation and Maintenance of Plant	2,418,014	2,357,056	60,958
Pupil Transportation	1,235,312	1,156,703	78,609
Central	27,981	19,808	8,173
Non-instructional Services	1,336,020	1,290,503	45,517
Extracurricular Activities	893,026	712,485	180,541
Capital Outlay	125,372	275,967	(150,595)
Debt Service:			
Principal Retirement	369,506	497,287	(127,781)
Interest and Fiscal Charges	961,966	936,332	25,634
Total Disbursements	<u>30,927,167</u>	<u>29,738,677</u>	<u>1,188,490</u>
Increase in Net Assets	<u>3,012,847</u>	<u>3,704,601</u>	<u>(691,754)</u>
Net Assets at Beginning of Year	<u>8,721,774</u>	<u>5,017,173</u>	<u>3,704,601</u>
Net Assets at End of Year	<u>\$11,734,621</u>	<u>\$8,721,774</u>	<u>\$3,012,847</u>

Program receipts represent almost 21 percent of total receipts and are primarily represented by restricted intergovernmental receipts. Program receipts were very comparable to fiscal year 2006.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

General receipts represent 79 percent of the School District's total receipts. General receipts increased by 2 percent from fiscal year 2006 with small increases in property taxes, income taxes, foundation receipts, and interest receipts.

The major program disbursements for governmental activities are for instruction, which continued to account for 57 percent of all disbursements. Other programs which support the instruction process, including pupils, instructional staff, administration, operation and maintenance of plant, and transportation also continue to account for 27 percent of all disbursements.

Overall, disbursements increased by 4 percent over fiscal year 2006 primarily from pay increases based on negotiated union agreements.

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.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Instruction:				
Regular	\$12,739,234	\$12,224,758	\$11,901,566	\$11,343,174
Special	3,689,618	3,322,110	496,691	115,934
Vocational	1,331,102	1,325,395	(148,865)	70,653
Adult/Continuing	94	16,571	94	2,376
Support Services:				
Pupils	1,689,929	1,613,500	1,658,577	1,577,532
Instructional Staff	1,110,203	1,035,195	1,110,203	1,021,002
Board of Education	90,589	129,851	90,589	129,851
Administration	2,016,375	1,966,974	2,016,375	1,966,974
Fiscal	683,497	641,114	675,757	641,114
Business	209,329	217,068	209,329	217,068
Operation and Maintenance of Plant	2,418,014	2,357,056	2,418,014	2,357,056
Pupil Transportation	1,235,312	1,156,703	1,186,778	1,098,402
Central	27,981	19,808	27,981	19,808
Non-instructional Services	1,336,020	1,290,503	187,262	89,547
Extracurricular Activities	893,026	712,485	626,223	336,949
Capital Outlay	125,372	275,967	125,372	262,934
Debt Service:				
Principal Retirement	369,506	497,287	369,506	497,287
Interest and Fiscal Charges	961,966	936,332	961,966	936,332
Total Disbursements	<u>\$30,927,167</u>	<u>\$29,738,677</u>	<u>\$23,913,418</u>	<u>\$22,683,993</u>

Instructional activities were largely supported by general receipts (tax receipts and unrestricted grants and entitlements). Special and vocational instruction activities are largely provided for through program receipts (operating grants). This is the result of resources restricted for special instruction and vocational instruction purposes.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

Non-instructional services received 86 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.

For fiscal year 2007, only 30 percent of extracurricular activities expenses were covered by program revenues. For fiscal year 2006, 53 percent of extracurricular activities expenses are covered by program revenues. Although the majority of the program revenues consist of music and athletic fees, ticket sales, and gate receipts, during fiscal year 2006, the School District received a significant amount in donations.

In general, the net cost of services was very comparable to fiscal year 2006.

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. General Fund receipts and disbursements did not increase significantly from fiscal year 2006. Receipts continued to be greater than disbursements during fiscal year 2007, in the amount of \$3,012,847.

Property tax receipts in the Bond Retirement debt service fund continue to be sufficient to cover debt service requirements.

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 2007, the School District amended its General Fund budget as needed. For receipts, the original to final budget increased by 11 percent from an anticipated increase in income tax, Foundation receipts, and interest receipts. There was an insignificant difference between the final budget and actual receipts.

The School District appropriates on the object level for each fund. There was an increase of 8 percent between original and final appropriations. The most significant increases in appropriations were from additional information provided by the Mercer County Educational Service Center on the distribution of costs between special instruction and administration support services. Final disbursements were budgeted at \$27,716,138 while actual disbursements were \$25,832,375, or 7 percent lower than final appropriations. The School District increases appropriations in most instances rather than reallocating existing appropriations as long as there are available resources.

Current Issues

As part of the five year forecast, the Board of Education has approved to reduce staff in order to eliminate \$250,000 in salaries during fiscal year 2009. The Board has not determined what staffing levels will be decreased. The Board of Education passed a resolution to determine the income tax rate to generate \$2,175,000 in income tax receipts annually based on divisions (G)(1) and (E)(1)(b) of Section 5748.01 of the Ohio Revised Code. The current .75 percent income tax levy expires at the end of calendar year 2008 and is based on divisions (G) and (E)(1)(a) and (2) of Section 5748.01 of the Ohio Revised Code. Discussions have begun with the Ohio School Facilities Commission to start a construction project in 2009.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

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 - MODIFIED CASH BASIS
JUNE 30, 2007**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$11,734,621</u>
Net Assets	
Restricted for:	
Debt Service	725,002
Capital Projects	155,065
Other Purposes	1,099,654
Setasides	1,174,890
Unrestricted	<u>8,580,010</u>
Total Net Assets	<u><u>\$11,734,621</u></u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Assets	
	<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>
Governmental Activities					
Instruction:					
Regular	\$12,739,234	\$618,538	\$196,580	\$22,550	(\$11,901,566)
Special	3,689,618	22,220	3,170,707		(496,691)
Vocational	1,331,102	1,033,148	446,819		148,865
Adult/Continuing	94				(94)
Support Services:					
Pupils	1,689,929		31,352		(1,658,577)
Instructional Staff	1,110,203				(1,110,203)
Board of Education	90,589				(90,589)
Administration	2,016,375				(2,016,375)
Fiscal	683,497	7,740			(675,757)
Business	209,329				(209,329)
Operation and Maintenance of Plant	2,418,014				(2,418,014)
Pupil Transportation	1,235,312	27,144		21,390	(1,186,778)
Central	27,981				(27,981)
Noninstructional Services	1,336,020	643,636	505,122		(187,262)
Extracurricular Activities	893,026	245,048	15,255	6,500	(626,223)
Capital Outlay	125,372				(125,372)
Debt Service:					
Principal Retirement	369,506				(369,506)
Interest and Fiscal Charges	961,966				(961,966)
Total Governmental Activities	\$30,927,167	\$2,597,474	\$4,365,835	\$50,440	(23,913,418)
General Receipts					
Property Taxes Levied for:					
					11,243,368
					1,140,378
					2,402,955
					120,495
					11,252,945
					625,400
					140,724
					<u>26,926,265</u>
					3,012,847
					<u>8,721,774</u>
					<u><u>\$11,734,621</u></u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,950,269	\$697,836	\$1,866,257	\$10,514,362
Interfund Receivable		27,166	540	27,706
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	<u>1,220,259</u>			<u>1,220,259</u>
Total Assets	<u><u>9,170,528</u></u>	<u><u>725,002</u></u>	<u><u>1,866,797</u></u>	<u><u>11,762,327</u></u>
Liabilities and Fund Balances				
Liabilities				
Interfund Payable	<u>27,706</u>			<u>27,706</u>
Fund Balances				
Reserved for Encumbrances	1,295,807		320,886	1,616,693
Reserved for Capital Improvements	1,174,890			1,174,890
Reserved for Bus Purchases	36,391			36,391
Reserved for Unclaimed Monies	8,978			8,978
Unreserved, Designated for Termination Benefits			657,447	657,447
Unreserved, Reported in General Fund	6,626,756			6,626,756
Special Revenue Funds			762,519	762,519
Debt Service Fund		725,002		725,002
Capital Projects Funds			<u>125,945</u>	<u>125,945</u>
Total Fund Balances	<u><u>9,142,822</u></u>	<u><u>725,002</u></u>	<u><u>1,866,797</u></u>	<u><u>11,734,621</u></u>
Total Liabilities and Fund Balances	<u><u>\$9,170,528</u></u>	<u><u>\$725,002</u></u>	<u><u>\$1,866,797</u></u>	<u><u>\$11,762,327</u></u>

See accompanying notes to the basic financial statements

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts				
Property Taxes	\$11,243,368	\$1,140,378		\$12,383,746
Income Taxes	2,402,955			2,402,955
Payment in Lieu of Taxes			\$120,495	120,495
Intergovernmental	12,258,216	207,619	3,136,839	15,602,674
Interest	545,496	42,454	53,421	641,371
Tuition and Fees	1,110,301			1,110,301
Charges for Services	92,281		1,117,184	1,209,465
Extracurricular Activities			523,769	523,769
Gifts and Donations			50,575	50,575
Miscellaneous	110,433		30,291	140,724
Total Receipts	<u>27,763,050</u>	<u>1,390,451</u>	<u>5,032,574</u>	<u>34,186,075</u>
Disbursements				
Current:				
Instruction:				
Regular	12,251,735		620,037	12,871,772
Special	2,488,716		1,225,205	3,713,921
Vocational	1,097,983		243,837	1,341,820
Adult/Continuing			11	11
Support Services:				
Pupils	1,272,808		433,759	1,706,567
Instructional Staff	793,221		325,461	1,118,682
Board of Education	90,604			90,604
Administration	1,587,208		446,052	2,033,260
Fiscal	660,969	24,621	2,000	687,590
Business	211,236			211,236
Operation and Maintenance of Plant	2,322,080		110,210	2,432,290
Pupil Transportation	997,037		246,415	1,243,452
Central	247		27,734	27,981
Non-instructional Services			1,337,861	1,337,861
Extracurricular Activities	613,939		285,398	899,337
Capital Outlay			125,372	125,372
Debt Service:				
Principal Retirement		364,480	5,026	369,506
Interest and Fiscal Charges		961,966		961,966
Total Disbursements	<u>24,387,783</u>	<u>1,351,067</u>	<u>5,434,378</u>	<u>31,173,228</u>
Excess of Receipts Over (Under) Disbursements	<u>3,375,267</u>	<u>39,384</u>	<u>(401,804)</u>	<u>3,012,847</u>
Other Financing Sources (Uses)				
Advances In	263,573		460,236	723,809
Advances Out	(460,236)		(263,573)	(723,809)
Transfers In			56,816	56,816
Transfers Out	(56,816)			(56,816)
Total Other Financing Sources (Uses)	<u>(253,479)</u>		<u>253,479</u>	
Changes in Fund Balances	3,121,788	39,384	(148,325)	3,012,847
Fund Balances at Beginning of Year	<u>6,021,034</u>	<u>685,618</u>	<u>2,015,122</u>	<u>8,721,774</u>
Fund Balances at End of Year	<u>\$9,142,822</u>	<u>\$725,002</u>	<u>\$1,866,797</u>	<u>\$11,734,621</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$11,100,000	\$11,100,000	\$11,298,368	\$198,368
Income Taxes	2,200,000	2,405,000	2,402,955	(2,045)
Intergovernmental	10,366,695	12,510,140	12,285,382	(224,758)
Interest	225,255	527,610	545,771	18,161
Tuition and Fees	1,122,500	1,127,000	1,110,301	(16,699)
Charges for Services	115,000	100,000	92,821	(7,179)
Miscellaneous	61,850	106,000	110,433	4,433
Total Receipts	<u>25,191,300</u>	<u>27,875,750</u>	<u>27,846,031</u>	<u>(29,719)</u>
Disbursements				
Current:				
Instruction:				
Regular	11,327,216	11,675,630	11,333,216	342,414
Special	2,345,814	3,045,794	2,747,511	298,283
Vocational	1,102,699	1,350,979	1,141,296	209,683
Other	1,512,691	1,425,286	1,359,041	66,245
Support Services:				
Pupils	1,389,963	1,342,195	1,296,667	45,528
Instructional Staff	720,286	868,035	825,326	42,709
Board of Education	115,726	135,409	104,889	30,520
Administration	1,496,411	1,727,987	1,603,167	124,820
Fiscal	783,892	747,895	676,327	71,568
Business	231,885	233,049	212,291	20,758
Operation and Maintenance of Plant	3,000,368	3,260,936	2,812,722	448,214
Pupil Transportation	1,104,031	1,278,123	1,105,736	172,387
Central	1,266	1,266	247	1,019
Extracurricular Activities	523,602	623,554	613,939	9,615
Total Disbursements	<u>25,655,850</u>	<u>27,716,138</u>	<u>25,832,375</u>	<u>1,883,763</u>
Excess of Receipts Over (Under) Disbursements	<u>(464,550)</u>	<u>159,612</u>	<u>2,013,656</u>	<u>1,854,044</u>
Other Financing Sources (Uses)				
Advances In	400,000	265,000	263,573	(1,427)
Advances Out	(550,000)	(757,725)	(460,236)	297,489
Transfers Out	(50,000)	(57,000)	(56,816)	184
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(549,725)</u>	<u>(253,479)</u>	<u>296,246</u>
Changes in Fund Balance	(664,550)	(390,113)	1,760,177	2,150,290
Fund Balance at Beginning of Year	4,584,458	4,584,458	4,584,458	
Prior Year Encumbrances Appropriated	1,380,850	1,380,850	1,380,850	
Fund Balance at End of Year	<u>\$5,300,758</u>	<u>\$5,575,195</u>	<u>\$7,725,485</u>	<u>\$2,150,290</u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$507,305</u>
Net Assets:	
Held for Student Activities	\$111,225
Undistributed Monies	<u>396,080</u>
Total Net Assets	<u><u>\$507,305</u></u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 163rd largest in the State of Ohio (among 612 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-two classified employees, two hundred six certified teaching personnel, and twenty-three administrative employees who provide services to 2,808 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.

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

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 16 and 17 to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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 principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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 modified 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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

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 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 in fiscal year 2007. 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-related 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, 2007
(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 appropriations 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 appropriations 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 2007, the School District's investments included nonnegotiable certificates of deposit, mutual funds, and federal agency securities.

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 2007 was \$545,496, which included \$46,437 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. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets.

F. 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 amounts required by State statute to be set aside for the acquisition or construction of capital improvements, unexpended receipts restricted for bus purchases, and unclaimed monies.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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 modified cash basis of accounting used by the School District.

I. Long-Term Obligations

Modified 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 School District did not have any net assets restricted by enabling legislation at June 30, 2007.

K. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance 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.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements 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, 2007
(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. 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;
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;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. 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, \$3,551,559 of the School District's bank balance of \$7,746,634 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit 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.

B. Investments

As of June 30, 2007, the School District had the following investments.

	Total	Less Than Six Months	Six Months to One Year	One Year to Two Years	Two Years To Five Years
Federal Home Loan Bank Notes	\$1,347,417	\$ 44,952		\$ 504,212	\$ 798,253
Federal Home Loan Bank Bonds	1,514,554	49,894	\$673,137	149,867	641,656
Federal Home Loan Mortgage Corporation Notes	807,705	10,000	98,611	349,094	350,000
Federal National Mortgage Association Notes	1,386,566	334,051		502,017	550,498
Mutual Funds	108,599	108,599			
Total	\$5,164,841	\$547,496	\$771,748	\$1,505,190	\$2,340,407

Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the School District from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the School District.

The Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of Aaa by Moodys. The market mutual funds carry a rating of Aaam by Moodys. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds consist exclusively of obligations described in (B)(1) or (2) of Ohio Revised Code Section 135.14.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The School District diversifies its investments by security, type, and 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 is to 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	\$2,861,971	55.41%
Federal Home Loan Mortgage Corporation	807,705	15.64
Federal National Mortgage Association	1,386,566	26.85

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half 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 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$329,657,655	87.83%	\$333,983,000	89.50%
Public Utility	8,928,030	2.38	9,059,070	2.43
Tangible Personal	36,731,862	9.79	30,114,633	8.07
Total Assessed Value	<u>\$375,317,547</u>	<u>100.00%</u>	<u>\$373,156,703</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.60		\$39.30	

6. 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.

7. 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.

8. INTERFUND BALANCES

At June 30, 2007, the Bond Retirement debt service fund had an interfund receivable, in the amount of \$27,166, from the General Fund for a short-term loan. Other governmental funds had an interfund receivable, in the amount of \$540, from the General Fund for a short-term loan.

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with various companies for the following insurance coverage:

Building and Contents - Replacement Cost	\$83,089,229
Automobile Liability	1,000,000
Commercial Umbrella	3,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. RISK MANAGEMENT (Continued)

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

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

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or on an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all 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 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School District's required contribution for pension obligations to STRS Ohio for the DB Plan for fiscal years ended June 30, 2007, 2006, and 2005 was \$1,618,008, \$1,617,814 and \$1,617,161, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DC and Combined Plans for fiscal year 2007, were \$6,602 made by the School District and \$14,516 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. 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, 2007, 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 2007 was 14 percent of annual covered payroll. A portion of the School District's contribution was used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$395,447, \$384,061 and \$375,962, respectively; 51 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

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, 2007, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$124,979 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000, and there were 122,934 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge amount is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$179,210.

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, 2006 (the latest available information), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are 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-five 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.

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 for severance payment purposes. 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. For the purpose of the severance calculation, sick leave accumulation will be unlimited. 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.

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 all employees an optical expense reimbursement provides each employee and their immediate family, based on actual receipts, up to \$200 annually.

C. Early Retirement Incentive

Through August 31, 2009, 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
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
1996 School Improvement Capital Appreciation Bonds 14.875 - 16.4%	\$ 110,584		\$110,584		
2005 School Improvement Refunding					
Serial Bonds 2 - 4.25%	13,195,000		210,000	\$12,985,000	\$815,000
Capital Appreciation Bonds 37.0475%	144,994			144,994	
Total General Obligation Bonds	13,450,578		320,584	13,129,994	815,000
Asbestos Removal Loan 0%	109,736		43,896	65,840	43,896
Loans Payable 0%	6,282		5,026	1,256	1,256
Total Governmental Activities Long-Term Liabilities	<u>\$13,566,596</u>	<u>\$0</u>	<u>\$369,506</u>	<u>\$13,197,090</u>	<u>\$860,152</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 were fully retired during fiscal year 2007 from the Bond Retirement debt service fund with proceeds of the tax levy.

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 refunded general obligation bonds were fully retired on December 1, 2005.

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.

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The School District's overall debt margin was \$16,930,490 with an unvoted debt margin of \$334,005 at June 30, 2007.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2007, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008	\$ 815,000	\$ 472,300		
2009	850,000	453,525		
2010	880,000	429,700		
2011	920,000	402,700		
2012		388,900	\$ 83,624	\$ 886,376
2013-2017	4,400,000	1,604,100	61,370	938,630
2018-2021	5,120,000	432,725		
Totals	\$12,985,000	\$4,183,950	\$144,994	\$1,825,006

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.

Fiscal Year Ending	Asbestos Removal Loan	
	Loan	Loan
	Principal	Principal
2008	\$43,896	\$1,256
2009	21,944	
Totals	\$65,840	\$1,256

14. 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 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$143,658)	\$1,002,239
Current Year Set Aside Requirement	454,888	454,888
Qualifying Expenditures	(771,271)	(282,237)
Balance June 30, 2007	(\$460,041)	\$1,174,890

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
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. INTERFUND TRANSFERS

During fiscal year 2007, the General Fund made transfers to the other governmental funds, in the amount of \$56,816, to subsidize operations.

16. 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 Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

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
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. 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 2007, the School District paid \$22,800 to the NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

17. 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(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Sky Bank, concerning aspects of the administration of the Trust.

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

18. 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, 2007.

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, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed through Ohio Department of Education)</i>						
Food Distribution Program	N/A	10.550		\$177,181		\$177,181
Child and Adult Care Food Program	043729-CCMO-2007	10.558	\$53,684		\$53,684	
	043729-CCMO-2006		5,204		5,204	
	043729-LUPC-2007		3,101		3,101	
	043729-LUPC-2006		292		292	
Total Child and Adult Care Food Program			62,281		62,281	
Nutrition Cluster						
National School Breakfast Program	043729-05PU-2006	10.553	6,134		6,134	
	043729-05PU-2007		33,993		33,993	
Total National School Breakfast Program			40,127		40,127	
National School Lunch Program	043729-LLP1-06/07	10.555	392		392	
	043729-LLP4-06/07		312,982		312,982	
Total National School Lunch Program			313,374		313,374	
Total Nutrition Cluster			353,501		353,501	
Total U.S. Department of Agriculture			415,782	177,181	415,782	177,181
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through Ohio Department of Education)</i>						
Special Education Cluster						
Special Education - Grants to States	043729-6BSF-2007	84.027	720,360		687,695	
	043729-6BSF-2006		(20,732)		40,497	
Total Special Education - Grants to States			699,628		728,192	
Special Education Preschool Grants	04379-PGS1-2006	84.173	19,761		20,269	
	04379-PGS1-2007		45,026		40,811	
Total Special Education Preschool Grants			64,787		61,080	
Total Special Education Cluster			764,415		789,272	
Title I Grants to Local Educational Agencies	043729-C1S1-2007	84.010	408,188		398,694	
	043729-C1S1-2006		(7,270)		404	
Total Title 1 Grants to Local Educational Agencies			400,918		399,098	
Improving Teacher Quality State Grants	043729-TRS1-2007	84.367	141,797		141,226	
	043729-TRS1-2006		(3,595)		259	
Total Improving Teacher Quality State Grants			138,202		141,485	
Hurricane Education Recovery	043729-HR01-2006	84.938	3,750		7,500	
Vocational Education - Basic Grants to States	043729-20C1-2006	84.048	7,678		27,926	
	043729-20C1-2007		110,659		111,025	
	20A0-2005		9,248		7,483	
Total Vocational Education - Basic Grants to States			127,585		146,434	
Safe & Drug Free Schools and Communities-State Grants	043729-DRS1-2006	84.186	2,986		5,972	
	043729-DRS1-2007		8,422		8,360	
Total Safe & Drug Free Schools and Communities-State Grants			11,408		14,332	
State Grants For Innovative Programs	043729-C2S1-2007	84.298	4,410		4,389	
Education Technology State Grants	043729-TJS1-2007	84.318	1,823		913	
Total U. S. Department of Education			1,452,511		1,503,423	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>(Direct Program)</i>						
Headstart Program	G 05CH5331 / 32	93.600	514,136		509,782	
	G 05CH5331 / 31		490,864		498,112	
Total Headstart Program			1,005,000		1,007,894	
Total U.S. Department of Health and Human Services			1,005,000		1,007,894	
Total Federal Assistance			\$2,873,293	\$177,181	\$2,927,099	\$177,181

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

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

NOTE C - NUTRITION CLUSTER PROGRAM

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

NOTE D – NEGATIVE RECEIPTS

The negative receipts reported on the schedule for CFDA # 84.027, 84.010, and 84.367 represent transfers from the 2006 program to the 2007 program years within the same CFDA number. 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.



Mary Taylor, CPA

Auditor of State

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

Celina City School District
Mercer County
585 E. 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 Celina City School District, Mercer County, (the School District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 2, 2008, wherein, we noted the District uses a comprehensive accounting basis 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

January 2, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Celina City School District, Mercer County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 Celina City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007. In a separate letter to the School District's management dated January 2, 2008, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

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

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

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



Mary Taylor, CPA
Auditor of State

January 2, 2008

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.027/84.173: Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

NONCOMPLIANCE CITATION

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

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

Ohio Adm. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Client Response:

The Treasurer and Board of Education believes that the School District meets the alternative requirements of financial reporting by the compilation, completion and filing of the OCBOA (other comprehensive basis of accounting) which seems to be a Government Accounting Standards Board approved alternative to GAAP reporting. While we admit that the Ohio Administrative Code requires the School District to file our financial reports on a GAAP basis, the School District believes that the costs associated with generating and auditing the reports in the GAAP basis, far outweigh any benefits that the School District may obtain from it's filing of a GAAP based report. In all of the prior years that the School District did file the GAAP formatted reports on only one occasion did anyone want to see the report even though it was advertised as available in the local media. Additionally, the one time that the School District issued debt while reporting using the GAAP process, no financial institution was the least bit interested in receiving the most recent copy of the report.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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



Mary Taylor, CPA
Auditor of State

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
JANUARY 31, 2008**