



Dave Yost • Auditor of State

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Celina City School District, Mercer County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Celina City School District, Mercer County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2014

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**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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, 2013, within the limitations of 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 cash basis of accounting.

The School District has elected to present its financial statements on a 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 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 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 within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net position 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 is the most significant fund.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position 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, 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. 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, 2013
UNAUDITED
(Continued)**

In the statement of net position 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, capital outlay, and debt service 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 only major governmental fund is the General 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 the cash basis of 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 position for fiscal year 2013 and fiscal year 2012:

Table 1			
Governmental Activities			
Net Position			
	2013	2012	Change
Assets	\$10,478,806	\$12,321,355	(\$1,842,549)
Net Position:			
Restricted	3,530,623	3,295,776	234,847
Unrestricted	6,948,183	9,025,579	(2,077,396)
Total Net Position	\$10,478,806	\$12,321,355	(\$1,842,549)

Total net assets decreased \$1.8 million, or 15 percent. The School District has continued to deficit spend for the past several years as disbursements have exceeded receipts; thereby, continuing to diminish fund balance (primarily related to the General Fund).

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

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

	2013	2012	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 2,918,760	\$ 2,971,465	(\$ 52,705)
Operating Grants, Contributions, and Interest	4,321,334	5,210,049	(888,715)
Total Program Receipts	<u>7,240,094</u>	<u>8,181,514</u>	<u>(941,420)</u>
General Receipts:			
Property Taxes Levied for General Purposes	11,066,813	10,824,493	242,320
Property Taxes Levied for Debt Service	1,212,548	1,125,146	87,402
Income Taxes	2,347,537	2,221,865	125,672
Payment in Lieu of Taxes	240,076	232,832	7,244
Grants and Entitlements	10,798,992	10,746,598	52,394
Interest	50,404	81,152	(30,748)
Gifts and Donations	7,494	300	7,194
Miscellaneous	269,021	273,137	(4,116)
Refunding Bonds Issued	7,435,000		7,435,000
Premium on Refunding Bonds Issued	737,213		737,213
Total General Receipts	<u>34,165,098</u>	<u>25,505,523</u>	<u>8,659,575</u>
Total Receipts	<u>41,405,192</u>	<u>33,687,037</u>	<u>7,718,155</u>
Disbursements:			
Instruction:			
Regular	14,119,585	14,178,248	58,663
Special	4,224,705	4,196,089	(28,616)
Vocational	1,357,376	1,336,898	(20,478)
Adult/Continuing	6,011		(6,011)
Support Services:			
Pupils	2,189,667	2,110,404	(79,263)
Instructional Staff	1,881,256	1,994,902	113,646
Board of Education	117,015	69,267	(47,748)
Administration	2,394,470	2,432,463	37,993
Fiscal	753,513	795,303	41,790
Business	152,855	140,578	(12,277)
Operation and Maintenance of Plant	2,727,120	2,587,574	(139,546)
Pupil Transportation	1,373,486	1,482,220	108,734
Central	52,062	44,653	(7,409)
Non-instructional Services	1,411,833	1,349,587	(62,246)
Extracurricular Activities	921,894	937,288	15,394
Capital Outlay	3,780		(3,780)
Debt Service:			
Principal Retirement	61,370	83,624	22,254
Interest and Fiscal Charges	532,511	388,900	(143,611)
Interest on Capital Appreciation Bonds	938,630	886,376	(52,254)
Payment to Refunding Bond Escrow Agent	8,028,602		(8,028,602)
Total Disbursements	<u>43,247,741</u>	<u>35,014,374</u>	<u>(8,233,367)</u>
Decrease in Net Position	<u>(1,842,549)</u>	<u>(1,327,337)</u>	<u>(515,212)</u>
Net Position at Beginning of Year	<u>12,321,355</u>	<u>13,648,692</u>	<u>(1,327,337)</u>
Net Position at End of Year	<u>\$10,478,806</u>	<u>\$12,321,355</u>	<u>(\$1,842,549)</u>

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(Continued)**

Program receipts represent 17 percent of total receipts and are primarily represented by charges for services and restricted intergovernmental receipts. Operating grants, contributions, and interest decreased 17 percent due, in large part, to the expiration of the Education Jobs grant program. The School District received the final distribution on this grant in fiscal year 2012.

General receipts represent 83 percent of the School District's total receipts. The change in general receipts was primarily related to the refunding of general obligation bonds. Bonds were issued during fiscal year 2013, in the amount of \$7,435,000, to refund bonds issued in a prior fiscal year.

The major program disbursements for governmental activities are for instruction, which continued to account for approximately 58 percent of all disbursements (not considering the debt refunding activity). Other programs which support the instruction process, including pupils, instructional staff, operation and maintenance of plant, and pupil transportation account for 24 percent of non-debt refinancing related disbursements. The increase in disbursements was generally due to the debt refinancing.

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**

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction:				
Regular	\$14,119,585	\$14,178,248	\$13,201,441	\$12,768,713
Special	4,224,705	4,196,089	1,233,097	902,832
Vocational	1,357,376	1,336,898	(80,068)	(176,216)
Adult/Continuing	6,011		484	
Support Services:				
Pupils	2,189,667	2,110,404	2,189,667	2,110,171
Instructional Staff	1,881,256	1,994,902	1,881,256	1,994,902
Board of Education	117,015	69,267	117,015	69,267
Administration	2,394,470	2,432,463	2,394,470	2,432,463
Fiscal	753,513	795,303	745,452	715,282
Business	152,855	140,578	152,855	140,578
Operation and Maintenance of Plant	2,727,120	2,587,574	2,727,120	2,587,574
Pupil Transportation	1,373,486	1,482,220	1,338,621	1,446,772
Central	52,062	44,653	43,062	32,053
Non-instructional Services	1,411,833	1,349,587	191,561	98,775
Extracurricular Activities	921,894	937,288	306,721	350,794
Capital Outlay	3,780		3,780	
Debt Service:				
Principal Retirement	61,370	83,624	61,370	83,624
Interest and Fiscal Charges	532,511	388,900	532,511	388,900
Interest on Capital Appreciation Bonds	938,630	886,376	938,630	886,376
Payment to Refunding Bond Escrow Agent	8,028,602		8,028,602	
Total Disbursements	\$43,247,741	\$35,014,374	\$36,007,647	\$26,832,860

Instructional activities were largely supported by general receipts (tax receipts and unrestricted grants and entitlements). However, special and vocational instruction activities receive substantial support 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, 2013
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 2013, 67 percent of extracurricular activities expenses were covered by program receipts. Program receipts include music and athletic fees, ticket sales, and gate receipts and will fluctuate based on the number of games played at home and how well the athletic teams are playing.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. For the General Fund, both receipts and disbursements were similar to the prior fiscal year; however, fund balance decreased 23 percent due to continued cash carryover spending.

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 2013, the School District amended its General Fund budget as needed. For receipts, changes from the original budget to the final budget as well as from the final budget to actual receipts were not significant.

For disbursements, the change from the original budget to the final budget was not significant overall; however, the change from the final budget to actual disbursements was over \$4.2 million. The School District limited expenditures due to anticipated cuts to State funding.

Debt Administration

During fiscal year 2013, the School District refunded \$7,435,000 in school improvement refunding. This refunding resulted in a decrease in the aggregated debt service payments of approximately \$312,000 and an economic gain of approximately \$287,000.

At June 30, 2013, the School District's outstanding debt consisted of general obligation bonds for the construction and renovation of school facilities, in the amount of \$9,520,000. For further information regarding the School District's debt, refer to Note 13 to the basic financial statements.

Current Issues

For fiscal year 2013, the Board of Education reviewed the number of teaching positions and determined that a reduction in staffing was not possible. The same was true for staffing of classified positions. Several teachers were scheduled to retire at the end of fiscal year 2013 but those positions were replaced by new staff at the beginning of fiscal year 2014.

The 2012 bond issue for a new elementary school was not approved by the voters. The School District is reviewing a different plan for new buildings which is projected to be placed before the voters in May 2016.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
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 Mick Davis, Treasurer, Celina City School District, 585 East Livingston Street, Celina, Ohio 45822.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalentents	<u>\$10,478,806</u>
Net Position:	
Restricted for:	
Debt Service	753,913
Capital Projects	7,859
Other Purposes	1,289,682
Setasides	1,479,169
Unrestricted	6,948,183
Total Net Position	<u>\$10,478,806</u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Position
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$14,119,585	\$480,958	\$437,186	(\$13,201,441)
Special	4,224,705	94,260	2,897,348	(1,233,097)
Vocational	1,357,376	1,213,130	224,314	80,068
Adult/Continuing	6,011	5,527		(484)
Support Services:				
Pupils	2,189,667			(2,189,667)
Instructional Staff	1,881,256			(1,881,256)
Board of Education	117,015			(117,015)
Administration	2,394,470			(2,394,470)
Fiscal	753,513	8,061		(745,452)
Business	152,855			(152,855)
Operation and Maintenance of Plant	2,727,120			(2,727,120)
Pupil Transportation	1,373,486	34,865		(1,338,621)
Central	52,062		9,000	(43,062)
Non-instructional Services	1,411,833	495,550	724,722	(191,561)
Extracurricular Activities	921,894	586,409	28,764	(306,721)
Capital Outlay	3,780			(3,780)
Debt Service:				
Principal Retirement	61,370			(61,370)
Interest and Fiscal Charges	532,511			(532,511)
Interest on Capital				
Appreciation Bonds	938,630			(938,630)
Payment to Refunding Bond Escrow Agent	8,028,602			(8,028,602)
Total Governmental Activities	<u>\$43,247,741</u>	<u>\$2,918,760</u>	<u>\$4,321,334</u>	<u>(36,007,647)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	11,066,813
Debt Service	1,212,548
Income Taxes	2,347,537
Payment in Lieu of Taxes	240,076
Grants and Entitlements not Restricted to Specific Programs	10,798,992
Interest	50,404
Gifts and Donations	7,494
Miscellaneous	269,021
Refunding Bonds Issued	7,435,000
Premium on Refunding Bonds Issued	737,213
Total General Receipts	<u>34,165,098</u>
Change in Net Position	(1,842,549)
Net Position at Beginning of Year	<u>12,321,355</u>
Net Position at End of Year	<u>\$10,478,806</u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$6,187,929	\$2,807,285	\$8,995,214
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	1,483,592		1,483,592
Total Assets	<u>7,671,521</u>	<u>2,807,285</u>	<u>10,478,806</u>
Fund Balances:			
Non-spendable	4,423		4,423
Restricted	1,479,169	2,047,031	3,526,200
Committed	678,575	760,254	1,438,829
Assigned	1,182,649		1,182,649
Unassigned	4,326,705		4,326,705
Total Fund Balances	<u>\$7,671,521</u>	<u>\$2,807,285</u>	<u>\$10,478,806</u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	Other Governmental	Total
Receipts:			
Property Taxes	\$11,066,813	\$1,212,548	\$12,279,361
Income Taxes	2,347,537		2,347,537
Payment in Lieu of Taxes		240,076	240,076
Intergovernmental	11,860,999	3,230,003	15,091,002
Interest	47,340	3,624	50,964
Tuition and Fees	1,149,270		1,149,270
Charges for Services	117,340	1,197,761	1,315,101
Extracurricular Activities	200,836	385,573	586,409
Gifts and Donations	17,982	18,276	36,258
Miscellaneous	263,136	5,885	269,021
Total Receipts	27,071,253	6,293,746	33,364,999
Disbursements:			
Current:			
Instruction:			
Regular	13,997,643	121,942	14,119,585
Special	3,214,622	1,010,083	4,224,705
Vocational	998,610	490,786	1,489,396
Adult/Continuing	6,011		6,011
Support Services:			
Pupils	1,780,267	409,400	2,189,667
Instructional Staff	1,534,756	346,500	1,881,256
Board of Education	117,015		117,015
Administration	1,937,533	456,937	2,394,470
Fiscal	718,253	35,260	753,513
Business	152,855		152,855
Operation and Maintenance of Plant	2,590,715	136,405	2,727,120
Pupil Transportation	1,189,213	184,273	1,373,486
Central	44,002	8,060	52,062
Non-instructional Services		1,411,833	1,411,833
Extracurricular Activities	603,129	318,765	921,894
Capital Outlay		3,780	3,780
Debt Service:			
Principal Retirement		61,370	61,370
Interest and Fiscal Charges		532,511	532,511
Interest on Capital Appreciation Bonds		938,630	938,630
Total Disbursements	28,884,624	6,466,535	35,351,159
Excess of Receipts Under Disbursements	(1,813,371)	(172,789)	(1,986,160)
Other Financing Sources (Uses):			
Refunding Bonds Issued		7,435,000	7,435,000
Premium on Refunding Bonds Issued		737,213	737,213
Payment to Refunding Bond Escrow Agent		(8,028,602)	(8,028,602)
Advances In	295,000	785,000	1,080,000
Advances Out	(785,000)	(295,000)	(1,080,000)
Total Other Financing Sources (Uses)	(490,000)	633,611	143,611
Changes in Fund Balances	(2,303,371)	460,822	(1,842,549)
Fund Balances at Beginning of Year	9,974,892	2,346,463	12,321,355
Fund Balances at End of Year	\$7,671,521	\$2,807,285	\$10,478,806

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$10,820,000	\$11,067,500	\$11,066,813	(\$687)
Income Taxes	2,100,000	2,350,000	2,347,537	(2,463)
Intergovernmental	11,842,425	11,846,571	11,860,999	14,428
Interest	97,500	37,500	47,340	9,840
Tuition and Fees	1,104,750	1,155,250	1,149,270	(5,980)
Charges for Services	185,500	117,500	117,340	(160)
Extracurricular Activities	186,805	201,250	200,836	(414)
Gifts and Donations	41,800	18,135	17,982	(153)
Miscellaneous	185,025	266,349	263,136	(3,213)
Total Receipts	<u>26,563,805</u>	<u>27,060,055</u>	<u>27,071,253</u>	<u>11,198</u>
Disbursements:				
Current:				
Instruction:				
Regular	13,479,575	13,860,246	12,441,213	1,419,033
Special	3,603,111	3,644,095	3,514,236	129,859
Vocational	1,140,406	1,159,239	1,071,058	88,181
Adult/Continuing	20,000	25,000	6,011	18,989
Other	1,928,181	2,600,260	1,842,839	757,421
Support Services:				
Pupils	1,902,572	1,909,090	1,812,769	96,321
Instructional Staff	1,653,827	1,675,259	1,594,928	80,331
Board of Education	320,816	223,087	179,040	44,047
Administration	2,244,933	2,128,235	1,976,234	152,001
Fiscal	1,242,902	1,096,198	771,904	324,294
Business	195,111	199,493	161,047	38,446
Operation and Maintenance of Plant	4,234,977	4,038,977	3,132,817	906,160
Pupil Transportation	1,353,400	1,387,326	1,263,214	124,112
Central	123,783	125,152	44,002	81,150
Extracurricular Activities	624,227	635,455	604,483	30,972
Total Disbursements	<u>34,067,821</u>	<u>34,707,112</u>	<u>30,415,795</u>	<u>4,291,317</u>
Excess of Receipts Under Disbursements	<u>(7,504,016)</u>	<u>(7,647,057)</u>	<u>(3,344,542)</u>	<u>4,302,515</u>
Other Financing Sources (Uses):				
Advances In	500,000	297,500	295,000	(2,500)
Advances Out	(750,000)	(800,000)	(785,000)	15,000
Transfers Out	(50,000)			
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(502,500)</u>	<u>(490,000)</u>	<u>12,500</u>
Changes in Fund Balances	(7,804,016)	(8,149,557)	(3,834,542)	4,315,015
Fund Balances at Beginning of Year	8,012,874	8,012,874	8,012,874	
Prior Year Encumbrances Appropriated	<u>1,962,018</u>	<u>1,962,018</u>	<u>1,962,018</u>	
Fund Balances at End of Year	<u>\$2,170,876</u>	<u>\$1,825,335</u>	<u>\$6,140,350</u>	<u>\$4,315,015</u>

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$108,307	\$88,023
Net Position:		
Held in Trust for Scholarships	108,307	
Held for Student Activities		76,451
Undistributed Assets		11,572
Total Net Position	\$108,307	\$88,023

See accompanying notes to the basic financial statements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Additions:	
Interest	\$164
Gifts and Donations	<u>5,304</u>
Total Additions	<u>5,468</u>
Deductions:	
Non-instructional Services	<u>14,000</u>
Change in Net Position	(8,532)
Net Position at Beginning of Year	<u>116,839</u>
Net Position at End of Year	<u><u>\$108,307</u></u>

See accompanying notes to the basic financial statements.

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**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 168th 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 sixty-seven classified employees, two hundred twelve certified teaching personnel, and twenty-four administrative employees who provide services to 2,674 students and other community members. The School District currently operates seven instructional buildings and a bus garage.

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 three jointly governed organizations and three insurance pools. These organizations are the Mercer County Local Professional Development Committee, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Area Computer Services Cooperative, the Ohio School Plan, the Ohio School Boards Association 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a 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 cash basis of accounting. Following are the more significant of the School District's accounting policies.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 receipts) 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 position presents the cash balance of the governmental activities of the School District at fiscal yearend. 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 School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

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 only major fund is the General Fund.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned 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's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. 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 payroll withholdings and various staff-related and student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

D. 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 object level within each fund. Any budgetary modifications at this level may only be made by resolution of 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, 2013
(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.

E. 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 2013, the School District's investments included nonnegotiable certificates of deposit and mutual funds. Investments are reported at cost.

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 2013 was \$47,340 which included \$4,262 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

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. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the acquisition or construction of capital improvements. Unclaimed monies that have a legal restriction on their use are also reported as restricted.

G. Capital Assets

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

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. 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 position is available.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

L. Interfund Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

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.

Investments

As of June 30, 2013, the School District's investments consisted of mutual funds with a carrying value of \$17,100 and a maturity of less than one year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 mutual funds carry a rating of Aaa 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 must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

The School District receives property taxes from Mercer County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real	\$372,216,130	97.99%	\$371,474,050	97.82%
Public Utility	7,636,540	2.01	8,289,450	2.18
Total Assessed Value	<u>\$379,852,670</u>	<u>100.00%</u>	<u>\$379,763,500</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.65		\$40.35	

6. INCOME TAXES

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax levy was effective on January 1, 2009, 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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. PAYMENT IN LIEU OF TAXES

According to State law, Mercer County and the City of Celina have entered into agreements with a number of property owners under which Mercer County and the City of Celina have granted property tax exemptions to those property owners. The property owners have agreed to make payments which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

8. INTERFUND BALANCES

At June 30, 2013, the General Fund had an unpaid interfund cash advance, in the amount of \$785,000, from other governmental funds to provide cash flow resources until the receipt of grant monies.

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 2013, the School District contracted with the Ohio School Plan for the following insurance coverage:

Building and Contents - Replacement Cost	\$99,502,852
Automobile Liability	4,000,000
General Liability:	
Per Occurrence	4,000,000
Aggregate	6,000,000

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

For fiscal year 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement 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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$1,414,545 and \$23,422 for the fiscal year ended June 30, 2013, \$1,436,194 and \$21,690 for the fiscal year ended June 30, 2012, and \$1,541,297 and \$17,921 for the fiscal year ended June 30, 2011. For fiscal year 2013, 81 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$16,864 made by the School District and \$12,045 made by the plan members. In addition, member contributions of \$16,730 were made for fiscal year 2013 for the defined contribution portion of the CP.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare Part B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, was \$474,459, \$485,406, and \$479,758, respectively. For fiscal year 2013, 49 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

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, 2013, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$111,910, \$113,501, and \$121,013, respectively. For fiscal year 2013, 81 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$69,134 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$5,795, \$21,022, and \$58,091, respectively. For fiscal year 2013, 49 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$26,802, \$28,666, and \$30,874, respectively. For fiscal year 2013, 49 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

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 five to twenty days of vacation per year, depending upon length of service. The superintendent, treasurer, and administrators earn twenty-five days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent, the treasurer, and the administrators upon termination of employment. Teachers do not earn vacation time.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month and for severance purposes may accumulate without limit. For teachers and administrators 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 severance purposes for classified employees. Upon retirement, classified employees are paid for 33 percent of the accumulated sick leave balance up to two hundred twenty-five days.

B. Employee Insurance Benefits

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

The School District also provides life insurance and accidental death and dismemberment insurance through American United 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, 2013, 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 General Fund.

13. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/13</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds:					
2013 School Improvement Refunding					
Serial Bonds 1 - 2.125%		\$6,865,000		\$6,865,000	\$ 200,000
Capital Appreciation Bonds 37.0475%		570,000		570,000	
Total 2013 School Improvement Refunding		<u>7,435,000</u>		<u>7,435,000</u>	<u>200,000</u>
2005 School Improvement Refunding					
Serial Bonds 2 - 4.25%	\$9,520,000		\$7,435,000	2,085,000	1,015,000
Capital Appreciation Bonds 37.0475%	61,370		61,370		
Total 2005 School Improvement Refunding	<u>9,581,370</u>		<u>7,496,370</u>	<u>2,085,000</u>	<u>1,015,000</u>
Total General Obligation Bonds	<u>\$9,581,370</u>	<u>\$7,435,000</u>	<u>\$7,496,370</u>	<u>\$9,520,000</u>	<u>\$1,215,000</u>

FY 2013 School Improvement Refunding General Obligation Bonds - On May 22, 2013, the School District issued \$7,435,000 in general obligation refunding bonds, consisting of \$6,865,000 in serial bonds and \$570,000 in capital appreciation bonds, with interest rates of 1 percent to 2.125 percent, to partially refund bonds previously issued in fiscal year 2005 for constructing and renovating the School District's buildings. The bonds were issued at a premium of \$737,213. The bonds were issued for an eight year period, with final maturity during fiscal year 2021. The bonds will be retired through the Bond Retirement debt service fund.

The net proceeds of the refunding bond issue, in the amount of \$8,028,602 were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the 2005 School Improvement Bonds. As a result, \$7,435,000 of the 2005 School Improvement Bonds are considered to be defeased and the liability for these bonds has been removed from the School District's financial statements. At June 30, 2013, \$2,085,000 of this debt was still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$593,602, the School District in effect decreased its aggregated debt service payments by \$312,117 over the next eight years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$287,498.

The serial bonds maturing after December 1, 2020, 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, 2019, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2016. The maturity amount of the bonds is \$1,265,000.

FY 2005 School Improvement Refunding General Obligation 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 1996 School Improvement general obligation bonds. The refunded general obligation bonds were fully retired on December 1, 2005. During fiscal year 2013, a portion of the serial bonds, in the amount of \$7,435,000, was refunded. The bonds are being repaid from the Bond Retirement debt service fund. The capital appreciation bonds were fully retired during fiscal year 2013.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The School District's overall debt margin was \$24,669,886 with an un-voted debt margin of \$371,511 at June 30, 2013.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest
2014	\$1,215,000	\$191,458		
2015	1,210,000	147,700		
2016		125,600	\$570,000	\$695,000
2017	1,285,000	115,963		
2018	1,305,000	93,275		
2019-2021	3,935,000	119,562		
Totals	\$8,950,000	\$793,558	\$570,000	\$695,000

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.

14. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Other Governmental Funds	Total Governmental Funds
Non-spendable:			
Unclaimed Monies	\$ 4,423		\$4,423
Restricted for:			
Athletics and Music		\$ 334,661	334,661
Capital Improvements	1,479,169	7,805	1,486,974
Class Size Reduction		14,926	14,926
Debt Service		753,913	753,913
Food Service Operations		86,448	86,448
Instruction		29,063	29,063
Network Connectivity		11,104	11,104
Non-Public Schools		55,004	55,004
Preschool		167,597	167,597
Remedial Reading		201,857	201,857
Special Needs Students		107,533	107,533
Technology Improvements		54	54
Vocational Training		277,066	277,066
Total Restricted	1,479,169	2,047,031	3,526,200

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed to:			
Capital Improvements		677,119	677,119
Future Severance Payments	678,575		678,575
Preschool		31,011	31,011
Vocational Training		52,124	52,124
Total Committed	<u>678,575</u>	<u>760,254</u>	<u>1,438,829</u>
Assigned for:			
Educational Activities	87,682		87,682
Unpaid Obligations	1,094,967		1,094,967
Total Assigned for	<u>1,182,649</u>		<u>1,182,649</u>
Unassigned	4,326,705		4,326,705
Total Fund Balance	<u>\$7,671,521</u>	<u>\$2,807,285</u>	<u>\$10,478,806</u>

15. 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 acquisition and construction of capital improvements. The amount 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 yearend. This amount must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the change in the set aside amount for capital improvements during fiscal year 2013.

	<u>Capital Improvements</u>
Balance June 30, 2012	\$1,580,348
Current Year Set Aside Requirement	451,910
Qualifying Expenditures	(553,089)
Balance June 30, 2013	<u>\$1,479,169</u>

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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. 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., 441 East Market Street, Celina, Ohio 45822.

C. 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, Auglaize, Hancock, Hardin, Lucas, Mercer, Paulding, Putnam, Seneca, Van Wert, and Wood 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 2013, the School District paid \$69,868 to 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 School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. INSURANCE POOLS (Continued)

B. Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. 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 and dental benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington 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 Corporate One Benefits, 220 Perry Street, Suite 200, P.O. Box 906, Fostoria, Ohio 44830.

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, 2013.

B. Litigation

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

19. 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 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.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>(Passed through Ohio Department of Education)</i>					
Child and Adult Care Food Program	10.558	\$67,821		\$67,821	
Total Child and Adult Care Food Program		<u>67,821</u>		<u>67,821</u>	
State Administrative Expenses for Child Nutrition	10.560	4,500			
Nutrition Cluster:					
Non-Cash Assistance (food distribution)					
National School Lunch Program	10.555		\$138,507		\$138,507
Cash Assistance:					
School Breakfast Program	10.553	103,342		103,342	
National School Lunch Program	10.555	517,872		517,872	
Total Nutrition Cluster		<u>621,214</u>	<u>138,507</u>	<u>621,214</u>	<u>138,507</u>
Total U.S. Department of Agriculture		693,535	138,507	689,035	138,507
U.S. DEPARTMENT OF EDUCATION					
<i>(Passed through Ohio Department of Education)</i>					
Special Education Cluster					
Special Education - Grants to States	84.027	498,735		569,487	
Special Education Preschool Grants	84.173	30,476		26,698	
Total Special Education Cluster		<u>529,211</u>		<u>596,185</u>	
Title I Grants to Local Educational Agencies	84.010	347,279		405,171	
Improving Teacher Quality State Grants	84.367	108,616		112,947	
Career and Technical Education - Basic Grants to States	84.048	104,407		104,159	
Education Jobs Fund	84.410			4,461	
Education Technology State Grants	84.318			664	
21st Century Community Learning Center	84.287	(4,978)			
Race to the Top - ARRA	84.395	42,875		49,290	
School Improvement Grant	84.377				
Total U. S. Department of Education		<u>1,127,410</u>		<u>1,272,877</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>(Direct Program)</i>					
Headstart Program	93.600	968,644		1,029,876	
Total U.S. Department of Health and Human Services		<u>968,644</u>		<u>1,029,876</u>	
Total Federal Assistance		<u>\$2,789,589</u>	<u>\$138,507</u>	<u>\$2,991,788</u>	<u>\$138,507</u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Disbursements.

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Disbursements (the Schedule) reports the Celina City School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The Government reports commodities consumed on the Schedule at the fair value. The Government allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D – NEGATIVE RECEIPTS

The negative receipt in the 21st Century Community Learning Center CFDA #84.287 grant was to return unused funds to the grantor.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Celina City School District, Mercer County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 8, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Celina City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Celina City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Celina City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 8, 2014

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #10.553/10.555 – Nutrition Cluster CFDA #84.010 – Title I Grants to Local Educational Agencies CFDA #84.027/84.173 – Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Noncompliance

Not Reporting in Accordance with GAAP

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

Ohio Adm. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2013 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, funds 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 its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities and the disclosures to provide a completed presentation of financial status.

Official's 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). The School District believes that the costs associated with generating and auditing the reports on the GAAP basis, far outweigh any benefits that the School District may obtain from its filing of a GAAP based report. In prior years the School District did file the GAAP formatted reports and 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 showed interest in receiving the most recent copy of the report.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CELINA CITY SCHOOL DISTRICT
MERCER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	ORC Sec. 117.38 & OAC Sec. 117-2-03(B) – Failed to prepare financial statements in accordance with Generally Accepted Accounting Principles	No	Repeated as 2013-001.

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Dave Yost • 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
FEBRUARY 6, 2014**