



**Auditor of State
Betty Montgomery**

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Ansonia Local School District, Darke County, (the School District), as of and for the years ended June 30, 2004 and June 30, 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the School District, as of June 30, 2004 and June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

As described in Note 3, during the year ended June 30, 2003, the School District changed its method of accounting from generally accepted accounting principles to the basis the Auditor of State prescribes for governments not required to follow generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the audit committee, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 14, 2005

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$1,290,535	\$21,400	\$206,211	\$42,801		\$1,560,947
Tuition	233,603					233,603
Intergovernmental	3,512,030	380,476	24,703	21,992		3,939,201
Interest	9,772	581	810	657	69	11,889
Extracurricular Activities		131,528				131,528
Transportation Fees	33,353					33,353
Classroom Materials & Fees	27,520					27,520
Gifts & Donations	5,000	5,450		107,002		117,452
Miscellaneous	30,558			107,388		137,946
Total Revenues	5,142,371	539,435	231,724	279,840	69	6,193,439
Expenditures:						
Current:						
Instruction:						
Regular	2,118,504	110,577				2,229,081
Special	578,541	97,826				676,367
Vocational	218,823	1,732		990		221,545
Other	198,759					198,759
Support Services:						
Pupils	177,336	112,370				289,706
Instruction	317,209	66,592		24,843		408,644
Board of Education	35,534					35,534
Administration	454,426	69,515		12,590		536,531
Fiscal	131,091	480	4,620	960		137,151
Business	4,958					4,958
Operation and Maintenance	436,810	43,469		173,119		653,398
Transportation	359,225			143,973		503,198
Central Services	12,665					12,665
Extracurricular Activities	121,640	66,338				187,978
Capital Outlay	47,173			117,271		164,444
Debt Service:			257,638			257,638
Total Expenditures	5,212,694	568,899	262,258	473,746		6,517,597
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,323)	(29,464)	(30,534)	(193,906)	69	(324,158)
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	8,122	20		3,050		11,192
Sale of Fixed Asset	62,660					62,660
Operating Transfers In	122,600					122,600
Operating Transfers Out	(122,600)					(122,600)
Operating Advance In	160,657	1,738		43,354		205,749
Operating Advance Out	(178,302)	(1,431)		(26,016)		(205,749)
Total Other Financing Sources (Uses)	53,137	327		20,388		73,852
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(17,186)	(29,137)	(30,534)	(173,518)	69	(250,306)
Fund Balances (Deficits) at Beginning of Year	630,513	179,454	85,511	211,889	6,298	1,113,665
Fund Balances (Deficits) at End of Year	<u>\$613,327</u>	<u>\$150,317</u>	<u>\$54,977</u>	<u>\$38,371</u>	<u>\$6,367</u>	<u>\$863,359</u>

The accompanying notes are an integral part of the financial statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Revenues:			
Food Services	\$149,129		\$149,129
Tuition	43,880		43,880
Extracurricular Activities		74,080	74,080
Total Operating Revenue	<u>193,009</u>	<u>74,080</u>	<u>267,089</u>
Operating Expenses:			
Salaries	112,509		112,509
Retirement & Insurances	44,070		44,070
Purchased Services	1,952	1,325	3,277
Materials and Supplies	91,869	43,288	135,157
Capital Outlay	591		591
Other Objects	258	22,530	22,788
Total Operating Expenses	<u>251,249</u>	<u>67,143</u>	<u>318,392</u>
Operating Income (Loss)	<u>(58,240)</u>	<u>6,937</u>	<u>(51,303)</u>
Non-Operating Revenues:			
Interest	71		71
Miscellaneous	550		550
Federal and State Subsidies	63,852		63,852
Total Non-Operating Revenues	<u>64,473</u>		<u>64,473</u>
Net Income	6,233	6,937	13,170
Fund Balance at Beginning of Year	<u>42,973</u>	<u>19,074</u>	<u>62,047</u>
Fund Balance at End of Year	<u>\$ 49,206</u>	<u>\$ 26,011</u>	<u>\$ 75,217</u>

The accompanying notes are an integral part of the financial statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General Fund	\$5,434,102	\$5,496,410	\$62,308
Special Revenue Funds	512,231	541,193	28,962
Debt Service Funds	203,030	231,724	28,694
Capital Project Funds	393,675	326,244	(67,431)
Proprietary:			
Enterprise Funds	245,160	257,482	12,322
Fiduciary:			
Trust Funds	69	69	
Total (Memorandum Only)	<u>\$6,788,267</u>	<u>\$6,853,122</u>	<u>\$64,855</u>

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total
Governmental:			
General Fund	\$123,638	\$5,539,011	\$5,662,649
Special Revenue Funds	60,183	555,356	615,539
Debt Service Funds		263,140	263,140
Capital Project Funds	239,217	287,546	526,763
Proprietary:			
Enterprise Funds	425	258,180	258,605
Fiduciary Funds:			
Trust Funds	<u> </u>	<u> 150</u>	<u> 150</u>
Total (Memorandum Only)	<u><u>\$423,463</u></u>	<u><u>\$6,903,383</u></u>	<u><u>\$7,326,846</u></u>

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

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/04</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$5,513,596	\$124,124	\$5,637,720	\$24,929
570,330	30,159	600,489	15,050
262,258		262,258	882
499,762	22,949	522,711	4,052
251,249	1,708	252,957	5,648
			150
<u>\$7,097,195</u>	<u>\$178,940</u>	<u>\$7,276,135</u>	<u>\$50,711</u>

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**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$1,286,080	\$20,929	\$178,649	\$41,859		\$1,527,517
Tuition	257,343					257,343
Intergovernmental	3,284,713	296,739	22,013	213,437		3,816,902
Interest	17,147	982	1,612	32,959	89	52,789
Extracurricular Activities		148,492				148,492
Transportation Fees	19,630					19,630
Gifts & Donations		2,500		72,642		75,142
Classroom Materials & Fees	7,016					7,016
Miscellaneous	5,940					5,940
Total Revenues	4,877,869	469,642	202,274	360,897	89	5,910,771
Expenditures:						
Current:						
Instruction:						
Regular	2,012,438	98,419				2,110,857
Special	495,849	90,060				585,909
Vocational	207,485					207,485
Other	137,553					137,553
Support Services:						
Pupils	152,879	86,175				239,054
Instruction	344,834	80,075		32,918		457,827
Board of Education	43,532					43,532
Administration	492,258	105,130		4,488		601,876
Fiscal	124,198	2,754	3,965	931		131,848
Operation and Maintenance	408,202	19,180		64,202		491,584
Transportation	304,517	576		24,000		329,093
Central Services	10,568					10,568
Extracurricular Activities	123,157	76,597			1,000	200,754
Capital Outlay				4,651,189		4,651,189
Debt Service:			198,263			198,263
Total Expenditures	4,857,470	558,966	202,228	4,777,728	1,000	10,397,392
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,399	(89,324)	46	(4,416,831)	(911)	(4,486,621)
Other Financing Sources (Uses):						
Sale and Loss of Assets	49,900					49,900
Refund of Prior Year Expenditures	22,534	400		22,931		45,865
Operating Transfers In	122,357					122,357
Operating Transfers out	(122,357)					(122,357)
Operating Advances In		1,431		26,016		27,447
Operating Advances Out	(27,447)					(27,447)
Total Other Financing Sources (Uses)	44,987	1,831		48,947		95,765
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	65,386	(87,493)	46	(4,367,884)	(911)	(4,390,856)
Fund Balances (Deficits) at Beginning of Year, Restated	565,127	266,947	85,465	4,579,773	7,209	5,504,521
Fund Balances (Deficits) at End of Year	<u>\$630,513</u>	<u>\$179,454</u>	<u>\$85,511</u>	<u>\$211,889</u>	<u>\$6,298</u>	<u>\$1,113,665</u>

The accompanying notes are an integral part of the financial statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Revenues:			
Tuition	\$43,231		\$43,231
Food Services	128,507		128,507
Extracurricular Activities		59,353	59,353
Classroom Material & Fees	18,504		18,504
	<u>190,242</u>	<u>59,353</u>	<u>249,595</u>
Total Operating Revenue			
Operating Expenses:			
Salaries	86,982		86,982
Retirement & Insurances	37,939		37,939
Purchased Services	822	1,552	2,374
Materials and Supplies	94,273	48,175	142,448
Capital Outlay		7,455	7,455
Other Objects	308		308
	<u>220,324</u>	<u>57,182</u>	<u>277,506</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(30,082)</u>	<u>2,171</u>	<u>(27,911)</u>
Non-Operating Revenues:			
Interest	46		46
Refund of Prior Year Expenditures	17		17
Other Revenues	109		109
Federal and State Subsidies	57,969		57,969
	<u>58,141</u>		<u>58,141</u>
Total Non-Operating Revenues			
Net Income	28,059	2,171	30,230
Fund Balance at Beginning of Year, Restated	14,914	16,903	31,817
Fund Balance at End of Year	<u>\$42,973</u>	<u>\$19,074</u>	<u>\$62,047</u>

The accompanying notes are an integral part of the financial statements.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental:			
General Fund	\$5,072,659	\$5,072,660	\$1
Special Revenue Funds	471,475	471,473	(2)
Debt Service Funds	202,273	202,274	1
Capital Project Funds	356,369	409,844	53,475
Proprietary:			
Enterprise Funds	248,384	248,383	(1)
Fiduciary:			
Trust Funds	89	89	
Total (Memorandum Only)	<u>\$6,351,249</u>	<u>\$6,404,723</u>	<u>\$53,474</u>

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total
Governmental:			
General Fund	\$83,563	\$5,762,143	\$5,845,706
Special Revenue Funds	60,061	643,788	703,849
Debt Service Funds		203,265	203,265
Capital Project Funds	3,106,591	2,094,760	5,201,351
Proprietary:			
Enterprise Funds	736	238,491	239,227
Fiducicary Funds			
Trust Funds		1,000	1,000
Total (Memorandum Only)	<u>\$3,250,951</u>	<u>\$8,943,447</u>	<u>\$12,194,398</u>

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

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At 6/30/03</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$5,007,274	\$123,638	\$5,130,912	\$714,794
558,966	60,183	619,149	84,700
202,228		202,228	1,037
4,777,728	239,217	5,016,945	184,406
220,324	425	220,749	18,478
1,000		1,000	
<u>\$10,767,520</u>	<u>\$423,463</u>	<u>\$11,190,983</u>	<u>\$1,003,415</u>

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**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1959 through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 65 square miles. It is located in Darke County, and includes all of the Village of Ansonia and portions of New Weston, Rossburg, Brown, Richland, Wabash, North Star and York Townships. It is staffed by 38 non-certified employees and 58 certified employees who provide services to 718 students and other community members.

A. Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. 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 has no component units.

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 13 and 14 of the financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted for school districts by the Auditor of State.

B. Fund Accounting

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

1. Governmental Fund Types

General Fund

The General Fund is the operating fund of the School District and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

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

2. Proprietary Fund Type

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust fund and agency funds.

C. Budgetary Process

1. Tax Budget

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

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported 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.

3. Appropriations

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

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

D. Cash and Investments

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

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

E. Unpaid Vacation and Sick Leave

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

F. Property, Plant and Equipment

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

G. Total Columns on Financial Statements

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

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

For fiscal year 2004 and 2003, the District changed its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This changed had the following effect on fund balances as previously reported:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Enterprise</u>	<u>Agency</u>
Fund Balance/Retained Earnings June 30, 2002	\$153,479	\$228,874	\$98,654	\$3,715,427	\$7,219	\$(8,706)	\$0
Accrual adjustments	<u>411,648</u>	<u>38,073</u>	<u>(13,189)</u>	<u>864,346</u>	<u>(10)</u>	<u>23,620</u>	<u>16,903</u>
Restated Fund Balance, July 1, 2002	<u>\$565,127</u>	<u>\$266,947</u>	<u>\$85,465</u>	<u>\$4,579,773</u>	<u>\$7,209</u>	<u>\$14,914</u>	<u>\$16,903</u>

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

4. COMPLIANCE

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded total estimated resources for several funds throughout the fiscal year – and at fiscal year end as follows:

Fiscal Year End 2004			
Fund	Appropriations	Estimated Resources	Excess
Special Revenue Funds:			
Ohio Reads	\$ 12,500	\$12,200	\$ 300
Summer Intervention	15,784	2,368	13,416
CTAE Grant	1,220	0	1,220
Miscellaneous State Grants	6,028	655	5,373
ESEA Title I Program	5	0	5
Title VI-B	107,860	99,003	8,857
Chapter 2 – Consolidation Federal	5,092	3,757	1,335
Reducing Class Size	32,590	32,532	58
Miscellaneous Federal Grants	5,796	4,849	947
Capital Project Funds:			
Permanent Improvement	91,635	60,550	31,085
Schoolnet Equipment / Infrastructure	16,780	5	16,775
Ansonia Track Project	50,670	40,371	10,299

Fiscal Year 2003			
Fund	Appropriations	Estimated Resources	Excess
General Fund	\$5,762,143	\$5,554,222	\$207,921
Special Revenue Funds:			
Public Preschool	98,810	91,920	6,890
Chapter 1 – Disadvantaged Pupils	81,641	68,570	13,071
Drug Free School Grant	9,961	7,534	2,427
Handicapped Preschool Grant	5,000	3,925	1,075
Telecommunications ACT Grant	18,225	13,908	4,317
Reducing Class Size	27,555	18,061	9,494
Miscellaneous Federal Grants	11,524	11,490	34
Capital Project Funds:			
Classroom Facilities	1,680,810	1,565,433	115,377
Ansonia Track Project	129,807	27,870	101,937

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At June 30, 2004, the carrying amount of the School District's deposits was \$803,451 and the bank balance was \$935,989. Of the bank balance, \$127,096 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. At June 30, 2003, the carrying amount of the School District's deposits was \$857,954 and the bank balance was \$915,886. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Funds invested by the District are held in the State Treasurer's Investment Pool (Star Ohio), with a carrying value and market value of \$135,125 at June 30, 2004 and carrying value and market value of \$317,758 at June 30, 2003. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

6. PROPERTY TAXES

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

6. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

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

	2003 Second - Half Collections		2004 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$40,295,910	86.34%	\$41,179,540	86.23%
Public Utility	3,297,250	7.06%	3,339,900	7.01%
Tangible Personal	3,078,500	6.60%	3,236,440	6.76%
Total Assessed Value	\$46,671,660	100.00%	\$47,755,880	100.00%
Tax rate per \$1,000 of assessed valuation	\$40.10		\$41.13	

7. INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$351,488 and \$370,534 was credited to the General Fund in fiscal year 2004 and 2003, respectively.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2004, the School District contracted for property and fleet, liability, boiler and machinery, crime, and inland marine insurance. The coverage is as follows:

Building and Contents - at replacement cost (\$5,000 deductible)	\$13,955,785
Inland Marine Coverage (\$100 deductible)	\$815,000
Boiler and Machinery (\$500)	No Limit
Crime Insurance (\$0 deductible)	1,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$0 deductible)	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000

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

B. Workers' Compensation

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the group plan. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school Districts in the group. Each participant pays its workers' compensation premium to the State based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the group. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the group. Participation in the group is limited to school districts that can meet the group's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the group.

C. Insurance Purchasing Pools

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

For the fiscal years ended June 30, 2004 and 2003, plan members were required to contribute 10 percent and 9.3 percent, respectively, of their annual covered salary and the School District was required to contribute at an actuarially determined rate of 14%. The portion to fund obligations was 8.17% for fiscal year 2003 and 9.09% for fiscal year 2004. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The School District's required contribution for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$64,777, \$69,801, and \$50,047, respectively; 55% has been contributed for fiscal years 2004 and 100% has been paid for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the fiscal years ended June 30, 2004 and June 30, 2003, plan members were required to contribute 10 percent and 9.3 percent, respectively of their annual covered salary and the School District is required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year ended June 30, 2002, the portion used to fund pension obligations was 9.5 %. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$340,878, \$346,037, and \$232,235, respectively; 92% has been contributed for fiscal years 2004 and 100% had been paid for fiscal years 2003 and 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004 and June 30, 2003, four members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal years 2004 and 2003, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the School District, this amount equaled \$26,221 during fiscal 2004 and \$26,618 during fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**ANSONIA LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. For fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004 and 2003, the minimum pay has been established at \$25,400 and \$14,500, respectively. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, was \$57,830 for fiscal year 2004 and \$60,639 for fiscal year 2003.

11. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Amount Outstanding 6/30/03	Additions	Deductions	Amount Outstanding 6/30/04
General Obligation Bonds:				
School Facilities Construction and Improvement Bonds 2000 5.50%	\$2,263,000	\$0	(\$85,000)	\$2,178,000

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

Principal and interest requirements to retire School Facilities Construction and Improvement Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$90,000	\$110,187	\$200,187
2006	95,000	105,722	200,722
2007	100,000	100,945	200,945
2008	105,000	95,922	200,922
2009	110,000	90,600	200,600
2010-2014	394,445	660,528	1,054,973
2015-2019	583,555	346,973	930,528
2020-2023	700,000	70,750	770,750
Total	<u>\$2,178,000</u>	<u>\$1,581,627</u>	<u>\$3,759,627</u>

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

12. SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, S.B. No. 345 eliminated the requirement that districts establish and maintain a budget stabilization reserve. The Act provided requirements for the disposition of any budget reserve balance that may have existed at April 10, 2001.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004 and 2003.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2002	\$12,621	(\$2,530,211)	\$55,498
Current Year Set Aside Requirement	96,663	96,663	0
Current Year Offsets	0	(62,475)	0
Qualifying Expenditures	(49,459)	0	0
Set Aside Reserve Balance June 30, 2003	<u>\$59,825</u>	<u>(\$2,496,023)</u>	<u>\$55,498</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>\$59,825</u>	<u>\$0</u>	<u>\$55,498</u>
	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2003	\$59,825	(\$2,496,023)	\$55,498
Current Year Set Aside Requirement	96,559	96,559	0
Current Year Offsets	0	(63,861)	0
Qualifying Expenditures	(89,828)	0	0
Set Aside Reserve Balance June 30, 2004	<u>\$66,556</u>	<u>(\$2,463,325)</u>	<u>\$55,498</u>
Set Aside Balances Carried Forward to Future Fiscal Years	<u>\$66,556</u>	<u></u>	<u></u>

For capital improvements, the extra amount, which was a result of capital expenditures from bond proceeds, can be used to reduce the set-aside requirements of future years.

13. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association - The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA were amounted to \$24,683 for fiscal year 2004 and \$32,987 for fiscal year 2003 for data processing services during fiscal year 2004. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the School District paid \$5,018 and during fiscal year 2003 the School District paid \$1,160 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets will be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2004, the School District paid \$6,567 and during fiscal year 2003, the School District paid \$725 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

14. GROUP INSURANCE PURCHASING POOL

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

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

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003
(Continued)**

15. CONTINGENT LIABILITIES

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

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

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

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Auditor of State Betty Montgomery

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

Ansonia Local School District
Darke County
P.O. Box 279
Ansonia, Ohio 45303

To the Board of Education:

We have audited the financial statements of Ansonia Local School District, Darke County, (School District), as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated March 14, 2005, wherein we noted that the School District reports on the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Ansonia Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2004-001 and 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 14, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 14, 2005.

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

Ansonia Local School District
Darke County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

March 14, 2005

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004 AND JUNE 30, 2003**

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

FINDING NUMBER 2004-001

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

The official statement for the Ohio School Facilities bond issue also requires the financial statements to be filed in accordance with Ohio Revised Code Section 117.38.

The School District did not file GAAP statement for fiscal year 2004. The School District should prepare their financial statements in accordance with GAAP.

FINDING NUMBER 2004-002

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded total estimated resources for several funds throughout the fiscal year, and at fiscal year end as follows:

For Fiscal Year 2004			
Fund	Appropriations	Estimated Resources	Excess
Special Revenue Funds:			
Ohio Reads	\$ 12,500	\$12,200	\$ 300
Summer Intervention	15,784	2,368	13,416
CTAE Grant	1,220	0	1,220
Miscellaneous State Grants	6,028	655	5,373
ESEA Title I Program	5	0	5
Title VI-B	107,860	99,003	8,857
Chapter 2 – Consolidation Federal	5,092	3,757	1,335
Reducing Class Size	32,590	32,532	58
Miscellaneous Federal Grants	5,796	4,849	947
Capital Project Funds:			
Permanent Improvement	91,635	60,550	31,084
Schoolnet Equipment / Infrastructure	16,780	5	16,775
Ansonia Track Project	50,670	40,371	10,299

**FINDING NUMBER 2004-002
 (Continued)**

For Fiscal Year 2003:

Fund	Appropriations	Estimated Resources	Excess
General Fund	\$5,762,143	\$5,554,222	\$207,921
Special Revenue Funds:			
Public Preschool	98,810	91,920	6,890
Chapter 1 – Disadvantaged Pupils	81,641	68,570	13,071
Drug Free School Grant	9,961	7,534	2,427
Handicapped Preschool Grant	5,000	3,925	1,075
Telecommunications ACT Grant	18,225	13,908	4,317
Capital Project Funds:			
Classroom Facilities	1,680,810	1,565,433	115,377
Ansonia Track Project	129,807	27,870	101,937

A process and procedure should be implemented to monitor compliance to prevent appropriations from exceeding the amounts certified as available.

**ANSONIA LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004 AND JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-10319-001	ORC Sec. 5705.41(B) – Expenditures exceeded appropriations	Partially	See management letter citation.
2002-10319-002	ORC Sec. 5705.39 – Appropriations exceeded estimated resources	No	See finding 2004-2



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ANSONIA LOCAL SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2005**