

**ANTWERP LOCAL SCHOOL DISTRICT**

**PAULDING COUNTY**

**AUDITED  
BASIC FINANCIAL STATEMENTS – CASH BASIS**

**For The Year Ended June 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Antwerp Local School District  
303 South Harrmann Rd.  
Antwerp, Ohio 45813

We have reviewed the *Independent Auditors' Report* of the Antwerp Local School District, Paulding County, prepared by Rea & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Antwerp Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 2, 2007

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**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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# Rea & Associates, Inc.

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*We're Ready For Your Future*

February 15, 2007

To the Board of Education  
Antwerp Local School District  
Antwerp, Ohio 45813

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Antwerp Local School District, (the District), Paulding County, Ohio, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

Ohio Administrative Code § 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This 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, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Antwerp Local School District, Paulding County, Ohio as of June 30, 2006, and the respective changes in cash basis financial position thereof and the respective budgetary comparison for the General Fund thereof and for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2007 on our consideration of the Antwerp Local 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2006  
Unaudited**

The discussion and analysis of the Antwerp Local School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

In total, net assets decreased \$167,583 in fiscal year 2006.

General revenues accounted for \$4,857,503, or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants and contributions accounted for \$1,221,720 or 20 percent of total revenues of \$6,079,223.

The District's major funds included the General Fund and the Classroom Facilities Capital Projects Fund. The General Fund had \$4,825,944 in receipts and \$5,045,077 in disbursements and other financing uses. The General Fund's balance decreased \$219,133 from the prior fiscal year. The Classroom Facilities Fund had \$38,737 in receipts and \$10,229 in disbursements. The Classroom Facilities Fund's balance increased \$28,508 from the prior fiscal year.

The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities, both reported on the cash basis, provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

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 District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund. The General Fund and the Classroom Facilities Fund are the District's major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities, both reported on the cash basis, reflect how the District did financially during fiscal year 2006. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has

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**MANAGEMENT DISCUSSION AND ANALYSIS  
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Unaudited**

increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets-cash basis and the statement of activities-cash basis, the District discloses a single type of activity – governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services and extracurricular activities.

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

**Fund Financial Statements**

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

*Governmental Funds* - Most of the District's activities are reported in governmental funds, which focus on how monies flow in 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 statements provide a detailed short-term view of the 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 District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the cash basis of accounting.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 1  
Net Assets - Cash Basis**

	2006	2005
<b><u>Assets:</u></b>		
Cash and Cash Equivalents	\$2,089,742	\$2,258,224
Cash with Fiscal Agent	23,595	22,696
Total Assets	2,113,337	2,280,920
<b><u>Net Assets:</u></b>		
Restricted for		
Debt Service	161,389	118,185
Capital Outlay	1,105,989	1,075,273
Other Purposes	342,998	365,374
Unrestricted	502,961	722,088
Total Net Assets	\$2,113,337	\$2,280,920



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2006  
Unaudited**

Table 2 reflects the changes in net assets for fiscal year 2006. This is the first year of implementation of the OCBOA 34 reporting format. Comparative figures are not available for fiscal year 2005. A comparative analysis will be provided in future years when prior year information is available.

**Table 2  
Change in Net Assets - Cash Basis  
Governmental Activities**

	<u>2006</u>
<b><u>Receipts:</u></b>	
Program Receipts:	
Charges for Services and Sales	\$ 564,239
Operating Grants and Contributions	597,055
Capital Grants and Contributions	60,426
Total Program Receipts	<u>1,221,720</u>
General Receipts:	
Property Taxes	1,416,487
Income Taxes	477,656
Grants and Entitlements	2,899,809
Investment Earnings	50,219
Miscellaneous	13,332
Total General Receipts	<u>4,857,503</u>
Total Receipts	<u>6,079,223</u>
<b><u>Disbursements:</u></b>	
Instruction	3,187,192
Support Services:	
Pupils	196,018
Instructional Staff	353,282
Board of Education	7,892
Administration	567,461
Fiscal	172,832
Operation and Maintenance of Plant	540,891
Pupil Transportation	335,888
Non-Instructional	237,167
Extracurricular Activities	220,809
Capital Outlay	71,362
Principal	234,000
Interest and Fiscal Charges	122,012
Total Disbursements	<u>6,246,806</u>
Increase/(decrease) in Net Assets	<u>(\$ 167,583)</u>

Program receipts account for 20 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 51 percent of all governmental disbursements. Other programs which support the instructional process are pupils, instructional staff and pupil transportation and these programs account for 14 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 9 percent. The remaining 26 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2006  
Unaudited**

Governmental Activities

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

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2006</u>	<u>2006</u>
Instruction	\$3,187,192	\$2,430,159
Support Services:		
Pupils	196,018	196,018
Instructional Staff	353,282	268,324
Board of Education	7,892	7,892
Administration	567,461	567,461
Fiscal	172,832	167,832
Operation and Maintenance of Plant	540,891	540,891
Pupil Transportation	335,888	335,888
Non-Instructional	237,167	(56)
Extracurricular Activities	220,809	143,729
Capital Outlay	71,362	10,936
Principal	234,000	234,000
Interest and Fiscal Charges	122,012	122,012
Total Disbursements	<u>\$6,246,806</u>	<u>\$5,025,086</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 76 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 80 percent. The remaining 20 percent are derived from tuition and fees, specific grants and donations.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds are the General Fund and the Classroom Facilities Fund. Total governmental funds had receipts of \$6,079,393 and disbursements of \$6,246,976. The net negative change of \$167,583 in fund balance for the year indicates that the District had difficulty in meeting current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed. Final disbursements were budgeted at \$5,239,420 while actual disbursements were \$5,240,711.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2006  
Unaudited**

**Debt Administration**

At June 30, 2006, the District had \$2,863,678 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-two year period, with final maturity on December 1, 2022. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2006, the District had \$7,188 in an asbestos removal loan for removing asbestos from older buildings. The asbestos loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan is to provide revenues for the removal of asbestos from school buildings. This interest free promissory note will mature in fiscal year 2008. The loan is being retired through the Bond Retirement Debt Service Fund.

At June 30, 2006, the District's overall legal debt margin was (\$526,858) with an un-voted debt margin of \$27,065.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Antwerp is a small rural community of 1,850 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. Local funds comprise 37.53 percent of District revenue sources, while 59.82 percent is from state funds, and the remaining 2.65 percent is from federal funds. The total expenditure per pupil was calculated at \$7,084.

In January 2006, the District passed a five year 2.9 mill permanent improvement levy to generate \$144,555 annually. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the 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 Jane Limber, Treasurer, Antwerp Local School District, 303 South Harrmann Road, Antwerp, Ohio 45813.

ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY

Statement of Net Assets - Cash Basis  
June 30, 2006

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,089,742
Cash and Cash Equivalents with Fiscal Agent	23,595
	<hr/>
Total Assets	<u>\$ 2,113,337</u>
<b>Net Assets:</b>	
Restricted for Debt Service	\$ 161,389
Restricted for Capital Outlay	1,105,989
Restricted for Other Purposes	342,998
Unrestricted	502,961
	<hr/>
Total Net Assets	<u>\$ 2,113,337</u>

See Accompanying Notes to the Basic Financial Statements

ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY

Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2006

	Program Receipts			Net (Disbursements)	
	Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Receipts and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 2,574,829	\$ 300,190	\$ 38,162	\$ 0	\$ (2,236,477)
Special	435,173	0	416,198	0	(18,975)
Adult/Continuing	5,000	0	2,483	0	(2,517)
Other	172,190	0	0	0	(172,190)
Support Services:					
Pupils	196,018	0	0	0	(196,018)
Instructional Staff	353,282	0	84,958	0	(268,324)
Board of Education	7,892	0	0	0	(7,892)
Administration	567,461	0	0	0	(567,461)
Fiscal	172,832	0	5,000	0	(167,832)
Operation and Maintenance of Plant	540,891	0	0	0	(540,891)
Pupil Transportation	335,888	0	0	0	(335,888)
Operation of Non-Instructional Services	237,167	186,969	50,254	0	56
Extracurricular Activities	220,809	77,080	0	0	(143,729)
Capital Outlay	71,362	0	0	60,426	(10,936)
Debt Service:					
Principal	234,000	0	0	0	(234,000)
Interest and Fiscal Charges	122,012	0	0	0	(122,012)
<b>Totals</b>	<b>\$ 6,246,806</b>	<b>\$ 564,239</b>	<b>\$ 597,055</b>	<b>\$ 60,426</b>	<b>(5,025,086)</b>
<b>General Receipts:</b>					
Taxes:					
Property Taxes, Levied for General Purposes					993,659
Property Taxes, Levied for Capital Outlay					148,161
Property Taxes, Levied for Debt Service					274,667
Income Taxes					477,656
Grants and Entitlements not Restricted to Specific Programs					2,899,809
Investment Earnings					50,219
Miscellaneous					13,332
<b>Total General Receipts</b>					<b>4,857,503</b>
Change in Net Assets					(167,583)
Net Assets Beginning of Year (See Note 15)					2,280,920
Net Assets End of Year					<b>\$ 2,113,337</b>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Balance Sheet - Cash Basis  
Governmental Funds  
June 30, 2006**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 406,648	\$ 945,072	\$ 641,709	\$ 1,993,429
Cash and Cash Equivalents with Fiscal Agent	0	0	23,595	23,595
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	96,313	0	0	96,313
Total Assets	502,961	945,072	665,304	2,113,337
<b>Fund Balances:</b>				
Reserved:				
Reserved for Encumbrances	23,058	0	92,234	115,292
Reserved for Textbooks and Instructional Materials	82,756	0	0	82,756
Reserved for Budget Stabilization	13,557	0	0	13,557
Unreserved, Undesignated, Reported in:				
General Fund	383,590	0	0	383,590
Special Revenue Funds	0	0	301,787	301,787
Debt Service Funds	0	0	161,389	161,389
Capital Projects Funds	0	945,072	109,894	1,054,966
Total Fund Balances	\$ 502,961	\$ 945,072	\$ 665,304	\$ 2,113,337

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 993,659	\$ 0	\$ 422,828	\$ 1,416,487
Income Tax	452,467	0	25,189	477,656
Intergovernmental	3,063,800	881	454,753	3,519,434
Interest	47,308	37,856	2,911	88,075
Tuition and Fees	263,615	0	52,545	316,160
Rent	682	0	0	682
Extracurricular Activities	0	0	77,080	77,080
Customer Sales and Services	0	0	170,317	170,317
Miscellaneous	4,413	0	8,909	13,322
<b>Total Receipts</b>	<u>4,825,944</u>	<u>38,737</u>	<u>1,214,532</u>	<u>6,079,213</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,501,824	0	73,005	2,574,829
Special	241,305	0	193,868	435,173
Adult/Continuing	5,000	0	0	5,000
Other	152,425	0	19,765	172,190
<b>Support Services:</b>				
Pupils	195,277	0	741	196,018
Instructional Staff	251,789	0	101,493	353,282
Board of Education	7,892	0	0	7,892
Administration	550,171	0	17,290	567,461
Fiscal	155,723	10	17,099	172,832
Operation and Maintenance of Plant	506,535	0	34,356	540,891
Pupil Transportation	335,888	0	0	335,888
Operation of Non-Instructional Services	0	0	237,167	237,167
Extracurricular Activities	141,078	0	79,731	220,809
Capital Outlay	0	10,219	61,143	71,362
<b>Debt Service:</b>				
Principal	0	0	234,000	234,000
Interest	0	0	122,012	122,012
<b>Total Disbursements</b>	<u>5,044,907</u>	<u>10,229</u>	<u>1,191,670</u>	<u>6,246,806</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>(218,963)</u>	<u>28,508</u>	<u>22,862</u>	<u>(167,593)</u>
<b>Other Financing Sources and Uses:</b>				
Refund of Prior Year Disbursements	0	0	180	180
Refund of Prior Year Receipts	(170)	0	0	(170)
<b>Total Other Financing Sources and Uses</b>	<u>(170)</u>	<u>0</u>	<u>180</u>	<u>10</u>
<b>Net Change in Fund Balances</b>	(219,133)	28,508	23,042	(167,583)
Fund Balance at Beginning of Year (See Note 15)	722,094	916,564	642,262	2,280,920
<b>Fund Balance at End of Year</b>	<u>\$ 502,961</u>	<u>\$ 945,072</u>	<u>\$ 665,304</u>	<u>\$ 2,113,337</u>
<b>Encumbrances</b>	<u>\$ 23,058</u>	<u>\$ 0</u>	<u>\$ 92,234</u>	<u>\$ 115,292</u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**Schedule of Receipts, Disbursements and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 990,000	\$ 993,659	\$ 993,659	\$ 0
Income Tax	525,000	452,467	452,467	0
Intergovernmental	3,191,283	3,094,486	3,063,800	(30,686)
Interest	20,000	43,200	47,308	4,108
Tuition and Fees	125,000	263,615	263,615	0
Rent	500	682	682	0
Miscellaneous	75,000	176,988	176,988	0
<b>Total Receipts</b>	<u>4,926,783</u>	<u>5,025,097</u>	<u>4,998,519</u>	<u>(26,578)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,535,894	2,507,128	2,506,965	163
Special	0	413,880	413,880	0
Adult/Continuing	5,000	5,000	5,000	0
Other	2,000	152,425	152,425	0
<b>Support Services:</b>				
Pupils	81,678	195,317	195,317	0
Instructional Staff	228,945	261,857	261,858	(1)
Board of Education	13,680	7,892	7,892	0
Administration	915,814	550,596	550,596	0
Fiscal	165,571	155,778	155,788	(10)
Operation and Maintenance of Plant	558,880	512,033	512,033	0
Pupil Transportation	338,535	337,694	337,694	0
Extracurricular Activities	146,265	139,650	141,093	(1,443)
<b>Total Disbursements</b>	<u>4,992,262</u>	<u>5,239,250</u>	<u>5,240,541</u>	<u>(1,291)</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>(65,479)</u>	<u>(214,153)</u>	<u>(242,022)</u>	<u>(27,869)</u>
<b>Other Financing Sources and Uses:</b>				
Refund of Prior Year Receipts	0	(170)	(170)	0
<b>Total Other Financing Sources and Uses</b>	<u>0</u>	<u>(170)</u>	<u>(170)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(65,479)	(214,323)	(242,192)	(27,869)
Fund Balance at Beginning of Year	698,654	698,654	698,654	0
Prior Year Encumbrances Appropriated	23,440	23,440	23,440	0
<b>Fund Balance at End of Year</b>	<u>\$ 656,615</u>	<u>\$ 507,771</u>	<u>\$ 479,902</u>	<u>\$ (27,869)</u>

See Accompanying Notes to the Basic Financial Statements



ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY

Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2006

	<u>Agency Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 46,508
Total Assets	<u>\$ 46,508</u>
<b>Net Assets:</b>	
Held in Trust for Students	\$ 46,508
Total Net Assets	<u>\$ 46,508</u>

See Accompanying Notes to the Basic Financial Statements

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Antwerp Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 29 non-certified and 40 certified full-time teaching personnel who provide services to 688 students and other community members.

**Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with five organizations, which are defined as jointly governed organizations, and an insurance purchasing pool. These organizations include the Northwest Ohio Area Computer Services Cooperative, Vantage Career Center, Van Wert Area Schools Consortium Local Professional Development Council, Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Paulding County School Council Employees Insurance Benefits Program. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

**B. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain 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 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts or disbursements of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

- b. Total assets, receipts or disbursements of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

**C. Fund Accounting**

The 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 District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds:**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General Fund and the Classroom Facilities Fund.

**General Fund** - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended and transferred according to the general laws of Ohio.

**Classroom Facilities Fund** - The Classroom Facilities Capital Projects Fund is used to account for the receipts and disbursements related to the construction of new school buildings.

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

**2. Fiduciary Funds**

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

**D. Budgetary Process**

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The 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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund, and at the function and object level within all other funds, are made by the District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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.

**E. Cash and Investments**

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

During fiscal year 2006, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Following Ohio Statutes, the Board of Education has by resolution specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 were \$47,308, which includes \$11,387 assigned from other funds. Interest receipts credited to the Classroom Facilities Fund during fiscal year 2006 was \$37,856.

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the 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.

**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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets represent amounts required by State statute to be set aside for textbooks and instructional materials and budget stabilization.

**G. Capital Assets**

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

**H. Compensated Absences**

Employees are entitled to cash payments for 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 District.

**I. Long-term Obligations**

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

**J. Equity**

Government-Wide Statements:

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to disbursement for specific purposes.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Fund Financial Statements:

Governmental fund equity is classified a fund balance. The District records reservations for portion of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, textbooks and instructional materials and budget stabilization.

**K. Interfund Activity**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.

**L. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of fixed assets in proprietary funds are recorded as receipts when the grant money is received.

**M. Receipts and Disbursements**

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, non-capital financing, or investing activities.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2006, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 46, "Net Assets Restricted by Enabling Legislation." GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies held by the District can 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;



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances 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. Investments may only be made through specified dealers and institutions.

At year end, the District had \$50 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

At June 30, 2006, the District had \$23,595 in cash with fiscal agent held by the Western Buckeye Educational Service Center, which is included on the statement of net assets and balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2006, the carrying balance of the District was \$134,716. Of the District's \$217,987 bank balance, \$117,987 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2006, the District had \$2,001,484 invested in STAR Ohio.

**Interest Rate Risk** - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

**Credit Risk** - STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating. The District has no investment policy that would further limit its investment choices.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer. 100 percent of the District's investments are in STAR Ohio.

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District operates on a fiscal year from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year. Property taxes include amounts levied against all real, public utility property, and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due in February with the remainder payable in July. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Logan County and Auglaize County.

The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. PROPERTY TAXES (continued)**

The assessed values upon which the fiscal year 2006 taxes were collected are as follows:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$41,456,510	76%	\$42,133,730	76%
Industrial/Commercial	8,681,940	16%	8,703,440	16%
Public Utility	2,411,060	4%	1,861,580	4%
Tangible Personal	1,758,050	4%	2,351,410	4%
Total Assessed Value	<u>\$54,307,560</u>	<u>100%</u>	<u>\$55,050,160</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.45		\$45.45	

**6. INCOME TAX**

The District levies a voted tax of .75% for general operations on the income of residents and of estates. The permanent tax was approved by the voters on November 1990, and was effective January 1, 1991. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax receipts is credited to the General Fund and Classroom Facilities Maintenance Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages are provided as follows:

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**7. RISK MANAGEMENT (continued)**

	<b>Replacement Cost</b>
<u>Ohio School Plan:</u>	
Inland Marine Coverage	
Musical Instruments (\$1,000 deductible)	\$ 150,000
Audio Visual Equipment (\$1,000 deductible)	200,000
Electronic Equipment (\$1,000 deductible)	616,626
Boiler and Machinery (\$1,000 deductible)	21,631,551
Crime Insurance (\$1,000 deductible)	25,000
Automobile Liability (\$500 deductible)	3,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella Liability	
Per occurrence	2,000,000
Total per year	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. Employee Medical Benefits**

As of June 30, 2006 the District has contracted through the Paulding County Schools Council with Medical Mutual of Ohio as third party provider to provide employee medical/surgical benefits and also dental benefits. Rates are set through an annual calculation process. The District and the employees share the cost of the monthly premium with the Board.

**C. Workers' Compensation**

For fiscal year 2006, the District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' 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 GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance and is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp Services provided administrative, cost control and actuarial services to the GRP.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employee Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$71,306, \$61,693, and \$63,661, respectively; equal to the required contributions for each year.

**B. State Teachers Retirement System**

The 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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and 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 DB Plan during their fifth year of membership unless they permanently select the DC Plan 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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN (continued)**

balance from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$309,528, \$340,220, and \$364,626, respectively; 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2006 all members of the Board are covered by either SERS or STRS.

**9. POST-EMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006 (the latest information available), the allocation rate is 3.42%. 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 2006, the minimum pay has been established as \$35,800. 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.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 59,492.

**10. LONG TERM OBLIGATIONS**

During the year ended June 30, 2006, the following changes occurred in obligations:

	Balance at 6/30/05	Additions	Deductions	Balance at 6/30/06	Due Within One Year
<b>CURRENT OBLIGATIONS</b>					
Permanent Improvement Loan	\$ 99,000	\$ 0	\$ 99,000	\$ 0	\$ 0
<b>LONG-TERM OBLIGATIONS</b>					
OSFC School Construction Bonds					
Current Interest Serial Bonds, 2.6% - 4.75% interest	2,810,000	0	130,000	2,680,000	135,000
Capital Appreciation Bonds, 4.55% - 4.65\$ interest	164,142	19,536	0	183,678	0
Asbestos Loan, 0% interest	12,188	0	5,000	7,188	5,000
<b>Total Debt Obligations</b>	<b>\$3,085,330</b>	<b>\$19,536</b>	<b>\$234,000</b>	<b>\$2,870,866</b>	<b>\$140,000</b>

The OSFC Bond Issue was entered into in 2002 for the amount of \$3,260,998. The bond was issued for the construction of a new school building. This 2002 bond issue included current interest serial bonds, current interest term bonds and capital appreciation bonds in the amount of \$1,365,000, \$1,810,000 and \$85,998, respectively. The bonds are being retired from the Bond Retirement debt service fund.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**10. LONG TERM OBLIGATIONS (continued)**

The Asbestos Loan was entered into in 1988 through the United States Environmental Protection Agency. The purpose of this loan is to provide receipts for the removal of asbestos from school buildings. This interest free promissory note maturing in fiscal year 2008 had an original principal amount of \$102,068. The District will make semi-annual installments of \$2,500.

The Permanent Improvement Loan was a tax anticipation note that was entered into in February 2004 with a maturity date of December 2006. The loan was issued for the construction of the new school building. This loan was repaid in full during fiscal year 2006.

The District's voted legal debt margin was (\$526,858) with an unvoted debt margin of \$27,065 at June 30, 2006.

Total disbursements for interest for the above debt for the period ended June 30, 2006 were \$122,012.

The scheduled payments of principal and interest on debt outstanding at June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$140,000	\$118,413	\$258,413
2008	137,188	112,370	249,558
2009	140,000	107,280	247,280
2010	145,000	101,756	246,756
2011	155,000	95,754	250,754
2012-2016	683,678	583,141	1,266,819
2017-2021	1,000,000	235,125	1,235,125
2022-2023	470,000	22,562	492,562
Total	<u>\$2,870,866</u>	<u>\$1,376,401</u>	<u>\$4,247,267</u>

**11. SET ASIDE DISCLOSURE**

The 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. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2006, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.



**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**11. SET ASIDE DISCLOSURE (continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2005	(\$ 1,433)	\$ 0	\$13,557
Current Year Set-aside Requirement	99,049	99,049	
Qualifying Disbursements	(14,860)	(244,328)	
Total	<u>\$82,756</u>	<u>(\$145,279)</u>	<u>\$13,557</u>
Cash Balance Carried Forward to FY 2007	<u>\$82,756</u>	<u>\$ 0</u>	<u>\$13,557</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may be used to offset future year textbook set-aside requirements.

**12. JOINTLY GOVERNED ORGANIZATIONS**

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

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Mary's 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. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**B. Vantage Career Center**

The Vantage Career Center is a distinct political subdivision of the State of Ohio, which provides vocational education to students. The Center is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Vantage Career Center, 818 North Franklin Street, Van Wert, Ohio 45891.

**C. Van Wert Area Schools Consortium Local Professional Development Committee**

The District is a participant in the Van Wert Area Schools Consortium Local Professional Development Committee (the Committee), which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is governed by a Board made up of teachers from Crestview Local School District, Lincolnview Local School District, Vantage Career Center, Western Buckeye Educational Service Center, Thomas Edison MRDD, and principals from districts of the consortium. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained from the Western Buckeye Educational Service Center, 216 Central Avenue, Van Wert, Ohio 45891.

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**13. INSURANCE POOLS**

**A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' 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.

**B. Van Wert Area School Insurance Group (VWASIG)**

The Van Wert Area School Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees.

The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 641 North Jefferson Street, Van Wert, Ohio 45891.

**14. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement 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 District at June 30, 2006.

**B. Litigation**

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

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. RESTATEMENT OF FUND BALANCES**

The District has decided to prepare their 2006 report on the cash basis format, as described in Note 2. In prior years the District reports followed the guidelines for Generally Accepted Accounting Principles (GAAP). This change will require a restatement in beginning fund balances for fiscal year 2006.

	<b>General Fund</b>	<b>Classroom Facilities Fund</b>	<b>Other Governmental Funds</b>
Fund Balance, June 30, 2005	\$392,805	\$915,019	\$568,617
Eliminate Non-Cash Items	329,289	1,545	73,645
Restated Fund Balance, June 30, 2005	\$722,094	\$916,564	\$642,262

**16. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District has 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 District can be fined and various other administrative remedies may be taken against the District.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

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*We're Ready For Your Future*

February 15, 2007

To the Board of Education  
Antwerp Local School District  
Antwerp, Ohio 45813

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Antwerp Local School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 15, 2007, wherein we noted that the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Antwerp Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide opinion 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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 certain matters that we have reported to management of the District in a separate letter dated February 15, 2007.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2006-001. We noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 15, 2007.

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

*Rea & Associates, Inc.*

**ANTWERP LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2006**

<b>1. Summary of Auditor's Results</b>
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

<b>2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS</b>
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**Finding 2006-001 Ohio Administrative Code Section 117-2-03**

Ohio Admin. Code Section 117-2-03 states the School District is to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2006, the District reported its financial statements on the cash basis of accounting with a GASB 34 presentation, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, fund liabilities, equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Client Response:**

No corrective action plan will be implemented. Antwerp Local School District plans to continue reporting on the cash basis.

Responsible Contact individual: Jane Limber, Treasurer





**Mary Taylor, CPA**  
Auditor of State

**ANTWERP LOCAL SCHOOL DISTRICT**

**PAULDING 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 19, 2007**