



**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



**Auditor of State
Betty Montgomery**

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Indian Lake Local School District
Logan County
6210 State Route 235 North
Lewistown, Ohio 43333

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County, (the "District"), as of and for the fiscal 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Betty Montgomery
Auditor of State

December 14, 2006

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED**

The management's discussion and analysis of the Indian Lake Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- The total net cash assets of the District increased \$364,598 or 5.59% from fiscal year 2005.
- General cash receipts accounted for \$16,250,569 or 84.95% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,878,042 or 15.05% of total governmental activities cash receipts.
- The District had \$18,764,013 in cash disbursements related to governmental activities; \$2,878,042 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$16,250,569 were adequate to provide for these programs.
- The District's major funds are the General Fund, the Bond Retirement Fund and the Permanent Improvement Fund. The General Fund, the District's largest major fund, had cash receipts and other financing sources of \$15,592,463 during 2006. The cash disbursements and other financing uses of the general fund, totaled \$15,638,066 during 2006. The General Fund's cash balance decreased \$45,603 from 2005 to 2006.
- The Bond Retirement fund, a District major fund, had cash receipts and other financing sources of \$1,177,375 during 2006. The Bond Retirement Fund had cash disbursements of \$1,332,747 during 2006. The Bond Retirement Fund cash balance decreased \$155,372 from 2005 to 2006.
- The Permanent Improvement Fund, a District major fund, had cash receipts and other financing sources of \$498,806 during 2006. The Permanent Improvement Fund had cash disbursements of \$252,308 during 2006. The Permanent Improvement fund cash balance increased \$246,498 from 2005 to 2006.

Using The Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The Statement of Net Assets – Cash Basis, and Statement of Activities – Cash Basis, provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next 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 one column. In the case of the District, there are three major governmental funds. The General Fund is the largest major fund.

INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets – Cash Basis, and the Statement of Activities – Cash Basis, answer the question, “How did we do financially during 2006?” These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change 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, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets – Cash Basis, and the Statement of Activities – Cash Basis, the Governmental Activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, and fiduciary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Bond Retirement Fund and Permanent Improvement Fund. The analysis of the District's major governmental funds begins on page 9.

INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 18-19.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-41 of this report.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets – Cash Basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash assets for 2006 and 2005.

Change in Net Cash Assets - Governmental Activities		
	2006	2005
Assets		
Equity in pooled cash and cash equivalents	<u>\$6,883,730</u>	<u>\$6,519,132</u>
Net Assets		
Restricted	3,600,485	3,190,284
Unrestricted	<u>3,283,245</u>	<u>3,328,848</u>
Total net assets	<u>\$6,883,730</u>	<u>\$6,519,132</u>

INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The total net cash assets of the District increased \$364,598, which represents a 5.59% increase over fiscal year 2005.

The balance of government-wide unrestricted net cash assets of \$3,283,245 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2006 and 2005.

	Change in Net Cash Assets	
	Governmental Activities 2006	Governmental Activities 2005
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$1,355,138	\$1,278,887
Operating grants and contributions	1,522,904	1,237,756
Capital grants and contributions		17,850
	<u>2,878,042</u>	<u>2,534,493</u>
General cash receipts:		
Property and other taxes	9,551,246	8,813,476
Unrestricted grants	6,072,085	6,049,755
Refunded Bonds Issued		8,419,990
Gifts and Donations		1,695
Premium on bonds		609,892
Investment earnings	290,824	147,970
Other	336,414	459,014
	<u>16,250,569</u>	<u>24,501,792</u>
Total cash receipts	<u>\$19,128,611</u>	<u>\$27,036,285</u>
Cash Disbursements:		
Instruction:		
Regular	\$6,833,720	\$6,785,578
Special	1,749,796	1,741,507
Vocational	376,729	411,288
Basic utility service		
Other	939,778	647,905

INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

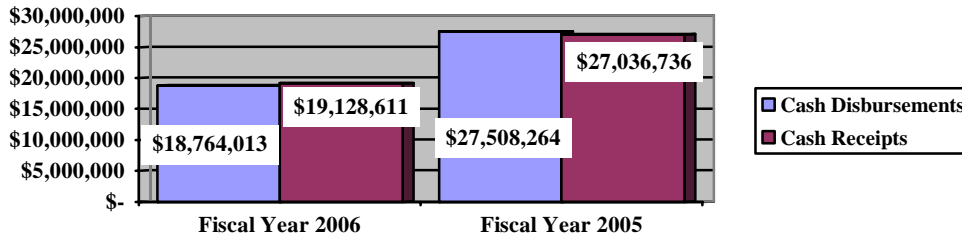
	<u>Change in Net Cash Assets</u>	
	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Support services:		
Pupil	584,463	557,689
Instructional staff	892,010	880,293
Board of education	14,257	30,302
Administration	1,294,743	1,159,038
Fiscal	456,314	397,804
Operations and maintenance	1,376,375	1,416,564
Pupil transportation	1,109,842	938,658
Central	315,239	311,846
Operation of non instruction	34,178	708,487
Food service operations	672,393	
Extracurricular	578,684	564,647
Facilities acquisition and construction	226,811	279,283
Debt service:		
Principal retirement	767,000	1,124,000
Interest and fiscal charges	541,681	526,604
Payment to refunded bond escrow		8,898,708
Bond issuance costs		128,063
Total cash disbursements	<u><u>\$18,764,013</u></u>	<u><u>\$17,921,986</u></u>

Governmental Activities

Governmental cash assets increased by \$364,598 in 2006 from 2005. Total governmental expenses of \$18,764,013 were offset by program revenues of \$1,522,904 and general revenues of \$16,250,569. Program revenues supported 8.12% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 96.14 of total general revenue. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



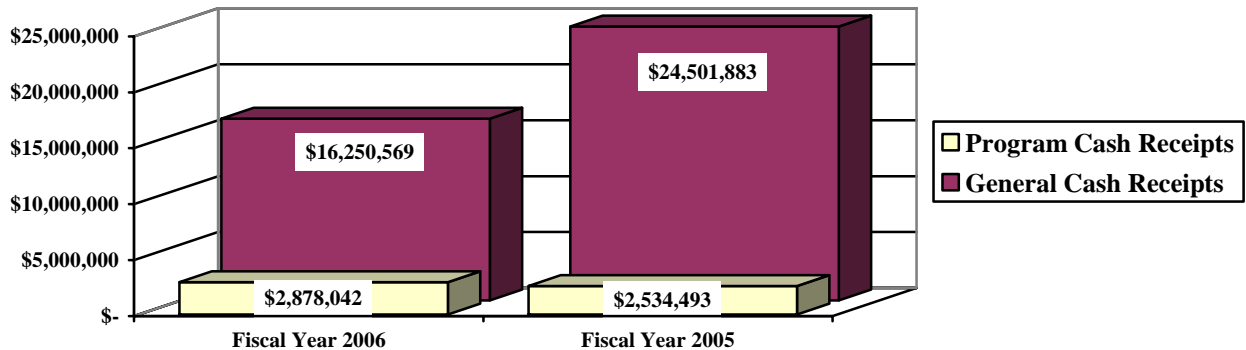
INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

	Governmental Activities			
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Cash disbursements:				
Instruction:				
Regular	\$6,833,720	\$5,886,331	\$6,785,578	\$5,599,941
Special	1,749,796	1,281,736	1,741,507	1,055,977
Vocational	376,729	376,729	411,288	411,288
Other	939,778	872,980	647,905	647,905
Support services:				
Pupil	584,463	352,909	557,689	557,689
Instructional staff	892,010	707,756	880,293	880,293
Board of education	14,257	14,257	30,302	30,302
Administration	1,294,743	1,195,386	1,159,038	1,105,999
Fiscal	456,314	456,314	397,804	397,804
Operations and maintenance	1,376,375	1,356,852	1,416,564	1,416,564
Pupil transportation	1,109,842	1,108,408	938,658	938,658
Central	315,239	296,698	311,846	311,846
Operation of non instruction	34,178	28,003	708,487	290,578
Food service operations	672,393	26,173		
Extracurricular	578,684	389,947	564,647	372,269
Facilities acquisition and construction	226,811	226,811	279,283	279,283
Debt service:				
Principal retirement	767,000	767,000	1,124,000	1,124,000
Interest and fiscal charges	541,681	541,681	526,604	526,604
Payment to refunded bond escrow			8,898,708	8,898,708
Bond issuance costs			128,063	128,063
Total	<u>\$18,764,013</u>	<u>\$15,885,971</u>	<u>\$27,508,264</u>	<u>\$24,973,771</u>

The dependence upon general cash receipts for governmental activities is apparent; with 84.66% of cash disbursements supported through taxes and other general cash receipts during 2006.

Governmental Activities - General and Program Cash Receipts



INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$6,883,730, which is \$364,598 above last year's total of \$6,519,132. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2006 and June 30, 2005, for all major and non-major governmental funds.

	<u>Fund Cash Balance June 30, 2006</u>	<u>Fund Cash Balance June 30, 2005</u>	<u>Increase (Decrease)</u>
Major Funds:			
General	\$3,283,245	\$3,328,848	(\$45,603)
Bond Retirement	1,210,545	1,365,917	(155,372)
Permanent Improvement	1,686,366	1,439,868	246,498
Other Nonmajor Governmental Funds	<u>703,574</u>	<u>384,499</u>	<u>319,075</u>
Total	<u><u>\$6,883,730</u></u>	<u><u>\$6,519,132</u></u>	<u><u>\$364,598</u></u>

General Fund

The General Fund, the District's largest major fund, had cash receipts and other financing sources of \$15,592,463 during 2006. The cash disbursements and other financing uses of the general fund, totaled \$15,638,066 during 2006. The general fund's cash balance decreased \$45,603 from 2005 to 2006.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2006 Amount</u>	<u>2005 Amount</u>	<u>Percentage Change</u>
Cash Receipts:			
Taxes	\$8,534,391	\$7,830,910	8.98 %
Tuition	666,263	618,019	7.81 %
Transportation fees	120		100.00 %
Earnings on investments	290,824	147,970	96.54 %
Other local revenues	45,758	43,784	4.51 %
Intergovernmental - state	<u>5,948,467</u>	<u>6,005,464</u>	(0.95) %
Total	<u><u>\$ 15,485,823</u></u>	<u><u>\$ 14,646,147</u></u>	5.73 %

Investment income cash receipts increased due to higher interest earning investments. Although the percentage increase of transportation fees was significant, the actual dollar amount of decrease was not significant. All other revenue remained comparable to 2005.

INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Cash Disbursements			
Instruction	\$9,134,006	\$8,879,204	2.87 %
Support services	5,525,476	5,024,563	9.97 %
Operation of non instruction	30,053	29,016	3.57 %
Extracurricular	364,615	374,908	(2.75) %
Total	<u>\$15,054,150</u>	<u>\$14,307,691</u>	5.22 %

Cash disbursements remained comparable to 2005. Overall, cash disbursements increased \$746,459 from 2005.

Bond Retirement Fund

The Bond Retirement Fund, a District major fund, had cash receipts and other financing sources of \$1,177,375 during 2006. The Bond Retirement Fund had cash disbursements of \$1,332,747 during 2006. The Bond Retirement Fund cash balance decreased \$155,372 from 2005 to 2006.

Permanent Improvement Fund

The permanent improvement fund, a District major fund, had cash receipts and other financing sources of \$498,806 during 2006. The Permanent Improvement Fund had cash disbursements of \$252,308 during 2006. The Permanent Improvement Fund cash balance increased \$246,498 from 2005 to 2006.

Budgeting Highlights - General Fund

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.

For the General Fund, final budgeted receipts were \$441,073 above original budget estimates of \$15,155,327. Actual cash receipts of \$15,622,463 were more than final budget estimates by \$26,063. The final budgetary basis disbursements and other financing uses of \$16,007,397 were \$4,645 below original budget estimates. The actual budgetary basis disbursements and other financing uses of \$15,704,173 were \$303,224 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$226,811 during fiscal year 2006.

INDIAN LAKE LOCAL SCHOOL DISTRICT, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2006 and 2005:

	Governmental Activities 2006	Governmental Activities 2005
2005 Advance Refunding Bonds	\$7,755,000	\$8,000,000
2005 Capital Appreciation Bonds	419,990	419,990
1998 Construction and Improvement Bonds	3,945,000	4,125,000
1998 Capital Appreciation Bonds	149,613	149,613
1996 Construction and Improvement Bonds	350,000	660,000
1996 Capital Appreciation Bonds	979,877	979,877
School Bus Bonds	32,000	64,000
Total long-term obligations	<u>\$13,631,480</u>	<u>\$14,398,480</u>

Current Financial Related Activities

The challenge for all school districts is to provide a quality education with limited revenue growth. This is even more challenging for a rural district such as Indian Lake Local Schools. With mainly one industry, whose Tangible Personal Property tax is being replaced with the HB 66 approved CAT tax that flows through the State, the District must rely on local taxes and state support even further for future revenue growth. The five-year forecast is predicting a deficit for fiscal year 2009; therefore the Finance Committee, along with the administration, are reviewing options to present to the Board to address that projected deficit. These options include but are not limited to and could be a combination of the following: placing a new emergency levy on the ballot, placing an income tax levy on the ballot, renewing the existing emergency levy by ballot approval, and reducing spending.

The District has been able to move from an academic watch district to an effective school district over the last seven years. This academic growth has been achieved by staff and administration dedication to improvement, an increase in professional development, and community support.

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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Coleen Reprogue, Treasurer, Indian Lake Local School District, 6210 St. Route. 235 North, Lewistown, OH 43333.

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INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,883,730</u>
Net Assets:	
Restricted for:	
Debt Service	1,210,545
Capital Outlay	1,686,366
Other Purposes	276,773
Termination Benefits	426,801
Unrestricted	<u>3,283,245</u>
Total Net Assets	<u><u>\$6,883,730</u></u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements) and Changes In Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Current:				
Instruction:				
Regular	\$6,833,720	\$740,530	\$206,859	(\$5,886,331)
Special	1,749,796		468,060	(1,281,736)
Vocational	376,729			(376,729)
Other	939,778		66,798	(872,980)
Support Services:				
Pupils	584,463		231,554	(352,909)
Instructional Staff	892,010	4,438	179,816	(707,756)
Board of Education	14,257			(14,257)
School Administration	1,294,743	1,220	98,137	(1,195,386)
Fiscal Services	456,314			(456,314)
Operation and Maintenance	1,376,375	4,879	14,644	(1,356,852)
Pupil Transportation	1,109,842		1,434	(1,108,408)
Central	315,239		18,541	(296,698)
Operation of Non-Instructional Services	34,178	1,600	4,575	(28,003)
Food Services Operations	672,393	413,734	232,486	(26,173)
Extracurricular Activities	578,684	188,737		(389,947)
Capital Outlay	226,811			(226,811)
Debt Service:				
Principal	767,000			(767,000)
Interest	541,681			(541,681)
Total Governmental Activities	<u>\$18,764,013</u>	<u>\$1,355,138</u>	<u>\$1,522,904</u>	<u>(15,885,971)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				8,534,391
Debt Service				1,016,855
Grants and Entitlements not Restricted to Specific Programs				6,072,085
Gifts and Donations				
Interest				290,824
Miscellaneous				336,414
Total General Revenues				<u>16,250,569</u>
Change in Net Assets				364,598
Net Assets at Beginning of Year				<u>6,519,132</u>
Net Assets at End of Year				<u>\$6,883,730</u>

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

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,283,245	\$1,210,545	\$1,686,366	\$703,574	\$6,883,730
Fund Balances:					
Reserve for Encumbrances	36,107		51,257	1,968	89,332
Reserve for Debt Service		1,210,545			1,210,545
Unreserved:					
Designated for Termination Benefits				426,801	426,801
Designated for Capital Improvements			911,064		911,064
Undesignated, Reported in:					
General Fund	3,247,138				3,247,138
Special Revenue Funds				274,805	274,805
Capital Projects Funds			724,045		724,045
Total Net Assets	<u>\$3,283,245</u>	<u>\$1,210,545</u>	<u>\$1,686,366</u>	<u>\$703,574</u>	<u>\$6,883,730</u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Cash Receipts:					
From Local Sources					
Property Taxes	\$8,534,391	\$1,016,855			\$9,551,246
Tuition and Fees	666,263				666,263
Transportation Fees	120				120
Earnings on Investment	290,824				290,824
Charges for Services				413,734	413,734
Extracurricular Activities				192,581	192,581
Classroom Materials and Fees	26,362			55,043	81,405
Other Local Revenues	19,396	12,865	178,544	126,644	337,449
Intergovernmental - State	5,948,467	117,771		135,291	6,201,529
Intergovernmental - Federal				1,393,460	1,393,460
Total Cash Receipts	15,485,823	1,147,491	178,544	2,316,753	19,128,611
Cash Disbursements:					
Current:					
Instruction:					
Regular	6,549,400			284,320	6,833,720
Special	1,356,322			393,474	1,749,796
Vocational	355,304			21,425	376,729
Other	872,980			66,798	939,778
Support Services:					
Pupils	386,866			197,597	584,463
Instructional Staff	737,182			154,828	892,010
Board of Education	14,257				14,257
Administration	1,199,174			95,569	1,294,743
Fiscal	432,248	24,066			456,314
Operation and Maintenance of Plant	1,359,195		8,984	8,196	1,376,375
Pupil Transportation	1,095,817		4,216	9,809	1,109,842
Central	300,737			14,502	315,239
Operation of Non-Instructional Services	30,053			4,125	34,178
Food Service Operations				672,393	672,393
Extracurricular Activities	364,615		12,297	201,772	578,684
Facilities Acquisition and Construction			226,811		226,811
Debt Service:					
Principal Retirement		767,000			767,000
Interest		541,681			541,681
Total Cash Disbursements	15,054,150	1,332,747	252,308	2,124,808	18,764,013
Receipts Over (Under) Disbursements	431,673	(185,256)	(73,764)	191,945	364,598
Other Financing Sources (Uses):					
Advances In	106,640				106,640
Advances Out				(106,640)	(106,640)
Transfers In		29,884	320,262	233,770	583,916
Transfers Out	(583,916)				(583,916)
Total Other Financing Sources (Uses)	(477,276)	29,884	320,262	127,130	0
Changes in Fund Balances	(45,603)	(155,372)	246,498	319,075	364,598
Fund Balances at Beginning of Year	3,328,848	1,365,917	1,439,868	384,499	6,519,132
Fund Balances at End of Year	<u>\$3,283,245</u>	<u>\$1,210,545</u>	<u>\$1,686,366</u>	<u>\$703,574</u>	<u>\$6,883,730</u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Basis Receipts:				
Taxes	\$8,293,060	\$8,534,418	\$8,534,391	(\$27)
Tuition	655,571	674,650	666,263	(8,387)
Transportation fees			120	120
Earnings on Investments	279,140	287,264	290,824	3,560
Classroom Materials and Fees	24,682	25,400	26,362	962
Other	23,030	23,700	19,396	(4,304)
Intergovernmental - State	5,776,220	5,944,328	5,948,467	4,139
Total Budgetary Basis Receipts.	<u>15,051,703</u>	<u>15,489,760</u>	<u>15,485,823</u>	<u>(3,937)</u>
Budgetary Basis Disbursements:				
Instruction				
Regular	6,612,000	6,610,081	6,553,370	56,711
Special	1,402,695	1,402,288	1,364,484	37,804
Vocational	354,437	354,334	355,304	(970)
Other	861,674	861,424	872,980	(11,556)
Support Services				
Pupil	344,003	343,903	386,866	(42,963)
Instructional Staff	743,879	743,663	737,222	6,441
Board of Education	68,940	68,920	14,257	54,663
Administration	1,235,483	1,235,125	1,199,355	35,770
Fiscal	469,583	469,447	433,510	35,937
Operation and Maintenance	1,399,464	1,399,058	1,378,952	20,106
Pupil Transportation	1,162,014	1,161,677	1,095,846	65,831
Centra	325,702	325,608	303,443	22,165
Operation of Non-Instructional Services	30,989	30,980	30,053	927
Extracurricular	382,080	381,969	364,615	17,354
Total Budgetary Basis Disbursements	<u>15,392,943</u>	<u>15,388,477</u>	<u>15,090,257</u>	<u>298,220</u>
Excess of Budgetary Basis Receipts Over Budgetary Basis Disbursements	<u>(341,240)</u>	<u>101,283</u>	<u>395,566</u>	<u>294,283</u>
Other Financing Uses:				
Transfers Out	(584,089)	(583,920)	(583,916)	4
Advances In	103,624	106,640	136,640	30,000
Advances Out	(35,010)	(35,000)	(30,000)	5,000
Total Other Financing Uses	<u>(515,475)</u>	<u>(512,280)</u>	<u>(477,276)</u>	<u>35,004</u>
Net Change in Fund Balance	(856,715)	(410,997)	(81,710)	329,287
Fund Balance at Beginning of Year	3,226,376	3,226,376	3,226,376	
Prior Year Encumbrances Appropriated	<u>102,472</u>	<u>102,472</u>	<u>102,472</u>	
Fund Balance at End of Year	<u><u>\$2,472,133</u></u>	<u><u>\$2,917,851</u></u>	<u><u>\$3,247,138</u></u>	<u><u>\$329,287</u></u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
JUNE 30, 2006**

	<u>Private-Purpose Trust</u>	<u>Agency</u>
Assets:		
Cash and Cash Equivalents	<u>\$19,572</u>	<u>\$101,283</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$19,572</u>	
Held for Student Activities		<u>\$101,283</u>

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Additions:	
Interest	\$775
Gifts and Contributions	<u>2,751</u>
Total Additions	3,526
Deductions:	
Scholarships Awarded	<u>4,644</u>
Change in Net Assets	(1,118)
Net Assets at Beginning of Year	<u>20,690</u>
Net Assets at End of Year	<u><u>\$19,572</u></u>

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

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**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 110 square miles. It is located in Logan County, and includes all of the Village of Russells Point, Village of Lakeview, and Village of Huntsville. The District is the 276th largest in the State of Ohio (among 614 school districts) in terms of enrollment. It is staffed by 95 non-certificated employees, 146 certificated full-time teaching personnel, and 10 administrative employees who provide services to 1,928 students and community members. The District currently operates two elementary school buildings, one middle school building, and one comprehensive high school building, which includes the administrative offices, and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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 services, 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 organizations' government 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO)

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. 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 of member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School District is a political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Metropolitan Educational Council

The Metropolitan Education Council (MEC) is a purchasing cooperative made up a nearly 124 Districts in 22 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 MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

West Central Ohio Special Education Regional Resource Center (SERRC)

The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of one trustee from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting the Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

2. Insurance Purchasing Pools

Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member board of directors consisting of 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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Steve Huzizko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 43235.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program.

Logan County School Benefit Plan Association

The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, and three local school districts. The District pays monthly premiums to the Plan for employee life insurance, and dental and medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Logan County School Benefit Plan Association

The District participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, and three local school districts. The District pays monthly premiums to the Plan for employee life insurance, and dental and medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

3. Related Organization

Logan County District Library

The Logan County District Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Judge of Common Pleas Court. The Board of Trustees possesses its own contracting and budgeting authority, hires and fire personnel and does not depend on the district for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Logan County District Library, Wilma Ferguson, Clerk/Treasurer, at 220 North Main, Bellefontaine, Ohio 43311.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. 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 cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

1. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

2. Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Permanent Improvement Fund – The permanent improvement fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. A portion of the money in this fund represents Board designated money under Ohio Revised Code Section 5705.13(C).

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. 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 cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation

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 government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District budgets and appropriates its agency funds. The primary level of budgetary control is at the fund, object level for the General Fund, and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Logan County Budget Commission for rate determination.

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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing 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 is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2006.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and object level for the General Fund and at the fund level for all other funds, which are the legal level of budgetary controls. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total of any level of control. Any revisions that alter the total object appropriations within a fund (for general, debt service, and building capital projects fund), or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statement of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

5. Lapsing of Appropriations

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

E. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

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 Rue 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.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$290,824, which includes \$138,632 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

G. 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.

H. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Fund Cash Balance Reserves

The District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved and undesignated fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances and debt service. Fund balances have been designated under Ohio Revised Code Section 5705.13(B) for severance payments and for capital improvements under Ohio Revised Code Section 5705.13(C).

K. Net Cash Assets

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. The balance in the Bond Retirement Fund represents net assets restricted by enabling legislation.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2006.

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Loans between funds are reported as advances. Intrafund advances are eliminated in the Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – Cash Basis.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

3. ACCOUNTABILITY AND 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 School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the School District.

The District's Food Service Fund had a negative cash fund balance for several months during the year. A negative cash fund balance violates Ohio Revised Code Section 5705.10.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 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 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.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

4. DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim moneys 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest 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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

4. DEPOSITS AND INVESTMENTS (Continued)

A. Cash on Hand

At year-end, the District had \$225 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$2,672,793. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$2,515,898 of the District's bank balance of \$2,815,898 was exposed to custodial risk as discussed below, while \$300,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

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 School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

C. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$4,331,567</u>	<u>\$4,331,567</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investment in 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 service.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ <u>4,331,567</u>	<u>100.00%</u>

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2006:

Cash per footnote	
Carrying amount of deposits	\$2,672,793
Investments	4,331,567
Cash on hand	<u>225</u>
Total	<u>\$7,004,585</u>
 Cash per Statement of Net Assets	
Governmental activities	\$6,883,730
Private - purpose trust funds	19,572
Agency funds	<u>101,283</u>
Total	<u>\$7,004,585</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers from General Fund to:	
Bond Retirement Fund	\$ 29,884
Permanent Improvement Fund	320,262
Non-major Governmental Funds	<u>233,770</u>
Total	<u><u>\$583,916</u></u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs 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 fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market 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 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 revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Logan and Auglaize Counties. The County Auditors 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 tax bills are sent.

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

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 264,796,410	87.77	\$ 269,141,270	89.93
Public utility personal	11,506,870	3.81	11,208,650	3.74
Tangible personal property	<u>25,414,680</u>	<u>8.42</u>	<u>18,960,161</u>	<u>6.33</u>
Total	<u>\$ 301,717,960</u>	<u>100.00</u>	<u>\$ 299,310,081</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	49.40		49.20	

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

7. LONG-TERM OBLIGATIONS

- A. The beginning balance of long-term obligations has been restated from \$14,398,480 to \$15,468,061 to properly reflect the 1996 Capital Appreciation Bond balance at June 30, 2005. During the fiscal year 2006, the following changes occurred in the District's long-term obligations:

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>One Year</u>
Governmental Activities:					
2005 Advance Refunding Bonds	\$8,000,000		(\$245,000)	\$7,755,000	\$130,000
2005 Capital Appreciation Bonds	419,990			419,990	
1998 Construction and Improvement	4,125,000		(180,000)	3,945,000	190,000
1998 Capital Appreciation Bonds	149,613			149,613	
1996 Construction and Improvement	660,000		(310,000)	350,000	350,000
1996 Capital Appreciation Bonds	979,877			979,877	
School Bus Bonds	64,000		(32,000)	32,000	32,000
Total governmental activities	<u>\$14,398,480</u>		<u>(\$767,000)</u>	<u>\$13,631,480</u>	<u>\$702,000</u>

Advance Refunding General Obligation Bonds – On April 21, 2005, the District issued \$8,419,990 in general obligation advance refunding bonds with an approximate average interest rate of 3.65 percent for the purpose of advance refunding \$8,420,000 of the 1996 Construction and Improvement Bonds. The bonds were issued for an eighteen-year period with a final maturity at December 1, 2022. The net proceeds of \$8,898,708 (after payment of \$128,083 issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1986 Series Bonds. As a result, the 1986 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding is \$484,899. The economic gain resulting from the refunding is \$488,650.

Current Interest Bonds maturing after December 1, 2015, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any payment date on or after June 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

If optional redemption of Current Interest Bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The Capital Appreciation Serial Bonds will mature in fiscal years 2014 through 2015. The maturity amounts of the bonds are \$770,000 and \$775,000 respectively, for a total maturity of \$1,545,000.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

7. LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds – On March 1, 1998, the District issued \$4,999,612.50 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included Current Interest Serial, Current Interest Term, and Capital Appreciation Serial Bonds in the amount of \$1,940,000, \$2,910,000 and \$149,613, respectively. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2025. The bonds will be retired with a voted property tax levy from the Bond Retirement Fund.

The Current Interest Term Bonds maturing December 1, 2025, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2016	\$240,000
2017	255,000
2018	265,000
2019	280,000
2020	295,000
2021	310,000
2022	325,000
2023	345,000
2024	360,000

The remaining principal amount of such bonds, \$310,000, will mature at state maturity on December 1, 2025.

The Current Interest Bonds maturing after December 1, 2008 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2008, at redemption prices equal to the date fixed for redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100%

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

If optional redemption of Current Interest Bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date

The Capital Appreciation Serial Bonds will mature in fiscal years 2012 through 2017. The maturity amount of the bonds is \$250,000 per year for a total maturity of \$1,500,000.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

7. LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds – On February 1, 1996, the District issued \$13,099,877 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included Current Interest Serial, Current Interest Term, and Capital Appreciation Serial Bonds in the amount of \$4,560,000, \$7,560,000, and \$979,877, respectively. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2023. The bonds will be retired with a voted property tax levy from the Bond Retirement Fund.

The current interest serial bonds and all but \$655,000 of the current interest term bonds were paid with the 2005 advance refunding bonds. The remaining principal of the current interest term bonds will mature at the stated maturity on December 1, 2022.

The Capital Appreciation Serial Bonds will mature in years 2009 through 2013. The maturity amounts of the bonds are \$525,000, \$585,000, \$640,000, and \$640,000, respectively.

School Bus Bonds – During June 1997, the District issued unvoted obligation bonds, in the amount of \$263,000, for the purchase of school buses. The bonds were issued for a ten-year period with a final maturity in 2007. The bonds will be retired from the Debt Service Fund.

Principal and interest requirements to retire general obligation debt at June 30, 2006, are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$702,000	\$525,914	\$1,227,914
2008	715,000	487,704	1,202,704
2009	805,000	458,825	1,263,825
2010	544,540	756,725	1,301,265
2011	553,285	762,699	1,315,984
2012 - 2016	1,569,783	5,531,910	7,101,693
2017 - 2021	5,406,872	1,666,723	7,073,595
2022 - 2026	3,335,000	288,408	3,623,408
Total	<u>\$13,631,480</u>	<u>\$10,478,908</u>	<u>\$24,110,388</u>

8. 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. The District maintains comprehensive insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$41,152,756 a \$2,500 deductible, and a 100 percent coinsurance.

The District's fleet insurance has a liability limit of \$1,000,000, \$5,000 for medical payments. The policy includes a \$500 deductible for comprehensive and collision coverage with all buses covered for cash value.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

8. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2006, the District participated in the Ohio School Boards Association 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to the school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

The District participates in the Logan County Schools Benefit Plan Association (the "Plan"); a public entity share risk pool consisting of one joint vocational school, one educational service center and three local school districts. The District pays monthly premiums for employee life insurance and dental and medical benefits. The Plan is responsible for all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result to withdrawal.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The 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 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 43215-3746, or by calling (614) 222-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 9.09% of annual covered salary was the portion used to fund pension obligations.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 District's required contributions for pension obligation for the fiscal years ended June 30, 2006, 2005, and 2004 were \$239,613, \$158,437 and \$154,790, respectively; 100% has been contributed for fiscal year 2006, 2005 and 2004.

A. State Teachers Retirement System

The 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

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. 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2006 and 2005, 13% of annual covered salary was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$979,903, \$840,417, and \$840,910, respectively; 100% has been contributed for fiscal years 2006, 2005 and 2004.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

The 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 year 2006, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$75,377 during fiscal 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2005 (the latest information available). For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 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. Effective January 1, 2005, 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2006, employer contributions to fund health care benefits were 3.42% 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 2006, the minimum pay has been established at \$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.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2005 (the latest information available) were \$178,221 million. At June 30, 2005, (the latest information available) SERS had net assets available for payment of health care benefits of \$267.5 million and SERS had approximately 58,123 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$101,533 during the 2006 fiscal year.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

11. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local 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 District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or 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 District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

12. STATUTORY RESERVES

The District is required by state law to set-aside certain general fund cash receipt amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2005 *	(\$469,971)	\$0
Current year set-aside requirement	289,902	289,902
Qualifying disbursements	(323,831)	(289,902)
Total	(\$503,900)	\$0
Cash balance carried forward to FY 2007	(\$503,900)	\$0

*The beginning deficit balance for Capital Acquisition has been restated since the carry over was not the result of excess expenditures or offsets from the sale of securities.

The District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The District may, and has chosen to carry forward the excess amount for the textbooks and capital acquisition set-aside to offset set-aside requirements of future years.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY,**

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

13. CONTRACTUAL COMMITMENTS

The District is currently involved in a construction projects which resulted in contractual commitments remaining at fiscal year-end. The District had the following contractual commitments outstanding as of June 30, 2006:

The District had the following contractual commitments outstanding as of June 30, 2006:

<u>Contractor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Balance at 6/30/06</u>
Zimmerman School Equipment	High School lockers	\$21,694	\$0	\$21,694
Limbach Service Group	Maintainance Service	19,730	4,932	14,798
Total		<u>\$41,424</u>	<u>\$4,932</u>	<u>\$36,492</u>

14. SUBSEQUENT EVENTS

During November of 2006, the District passed a levy for an Elementary School building project. The building project will take 2 to 3 years to complete. Bond Anticipation Notes in the amount of \$15 million and \$3.5 million, will be issued during December, 2006 and January 2007, respectively. These notes are due during May 2007. The District plans to issue bonds during February 2007, in the amount of \$18.5 million to retire these notes. The bonds will be repaid over 28 years.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Catalog of Federal Domestic Assistance Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Food Donation	N/A	10.550		\$88,957		\$88,957
Nutrition Cluster:						
National School Lunch Program	LL P4 - 2006	10.555	173,242		173,242	
School Breakfast Program	05-PU - 2005	10.553	6,430		6,430	
	05-PU - 2006	10.553	41,698		41,698	
Total School Breakfast Program			<u>48,128</u>		<u>48,128</u>	
Total Nutrition Cluster			<u>221,370</u>		<u>221,370</u>	
Total Department of Agriculture			221,370	88,957	221,370	88,957
UNITED STATES DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Title 1 Grants to Local Educational Agencies	C1-S1-2005	84.010	70,999		54,879	
	C1-S1-2006	84.010	363,627		330,443	
Total Title 1 Grants to Local Educational Agencies			<u>434,626</u>		<u>385,322</u>	
State Grants for Innovative Programs	C2-S1-2005	84.298	5,395		169	
	C2-S1-2006	84.298	11,158		12,867	
Total State Grants for Innovative Programs			<u>16,553</u>		<u>13,036</u>	
Improving Teacher Quality State Grants	TR-S1-2005	84.367	16,497		14,151	
	TR-S1-2006	84.367	104,236		95,426	
Total Improving Teacher Quality State Grants			<u>120,733</u>		<u>109,577</u>	
Special Education Grants to State	6B-SF-2005	84.027	94,082		27,347	
	6B-SF-2006	84.027	477,789		439,984	
Total Special Education Grants to State			<u>571,871</u>		<u>467,331</u>	
Education Technology State Grants	TJ-S1-2005	84.318	6,555			
	TJ-S1-2006	84.318	7,816		5,883	
Total Education Technology State Grants			<u>14,371</u>		<u>5,883</u>	
Safe and Drug Free Schools and Communities State Grants	DR-S1-2005	84.186	1,553		140	
	DR-S1-2006	84.186	4,300		3,513	
Total Safe and Drug Free Schools and Communities State Grants			<u>5,853</u>		<u>3,653</u>	
Total Department of Education			1,164,007		984,802	
United States Homeland Security						
Passed Through Ohio Public Safety						
Disaster Grants Public Assistance	FEMA-3198	97.036	2,237		2,237	
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$1,387,614</u>	<u>\$88,957</u>	<u>\$1,208,409</u>	<u>\$88,957</u>

The accompanying notes to this schedule are an integral part of this schedule.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

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

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D - TRANSFER OF FUNDS BETWEEN COST CENTERS

The following transfers between fund cost centers were approved by the Ohio Department of Education.

<u>Grant and CFDA # / Fund, Cost Center</u>	<u>Transfer out</u>	<u>Transfer in</u>
Title 1, Grants to Local Educational Agencies # 84.010		
572-9005	\$(1,049)	
572-9006		\$1,049
Special Education Grants to States # 84.027		
516-9005	\$(2,744)	
516-9006		\$2,744
Safe and Drug-Free Schools and Communities # 84.186		
584-9005	\$(927)	
584-9006		\$927

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE D - TRANSFER OF FUNDS BETWEEN COST CENTERS (Continued)

Grant and CFDA # / Fund, Cost Center	Transfer out	Transfer in
Innovative Education Program Strategies # 84.298		
573-9005	\$(1,249)	
573-9006		\$1,249
Education Technology State Grants # 84.318		
599-9005	\$(910)	
599-9006		\$910
Improving Teacher Quality State Grants # 84.367		
590-9005	\$(4,108)	
590-9006		\$4,108

NOTE E – REAL ALLOCATION OF FUNDS

The Ohio Department of Education approved the reallocation of \$5,899 from the Safe and Drug Free Schools and Communities State Grants program to the State Grants for Innovative Programs project for fiscal year 2006 in the Comprehensive Continuous Improvement Plan.



Auditor of State Betty Montgomery

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

Indian Lake Local School District
Logan County
6210 State Route 235 North
Lewistown, Ohio 43333

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County, (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2006, wherein, we noted 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. .

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002. In a separate letter to the District's management dated December 14, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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Indian Lake Local School District
Logan County
Independents' Accountant Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 14, 2006



Auditor of State Betty Montgomery

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

Indian Lake Local School District
Logan County
6210 State Route 235 N
Lewistown, Ohio 43333

To the Board of Education:

Compliance

We have audited the compliance of Indian Lake Local School District, Logan County, (the "District"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

December 14, 2006

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(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)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010: Title I, Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2006-001

Noncompliance Citation

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

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

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

OFFICIAL'S RESPONSE

In response to Finding Number 2006-001 Noncompliance Citation O.R.C. 117.38; the Indian Lake Board of Education understands that the Ohio Revised Code requires the district's financial statements to be prepared in accordance with GAAP, however, an exception has been implemented by the State Auditor for issuance of an unqualified opinion if GAAP look-alike financial statements have been prepared by the district. Due to cost of the conversion, increased audit cost, and cost of employee resources, the Board feels money that would otherwise be spent on conversion to GAAP is better used to educate the students of Indian Lake Local Schools. In addition, federal security laws do not require GAAP financial statements, and specifically, SEC Rule 15c2-12 relating to continuing disclosure on outstanding debt (which applies to the district) does not require GAAP financial statements.

FINDING NUMBER 2006-002

Reportable Condition

Ohio Rev. Code Section 5705.10 states, in part, that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover expenses from another fund. The District's Food Service Fund had the following negative cash fund balances during the year:

**FINDING NUMBER 2006-002
 (Continued)**

Month Ending	Deficit Balance
July	\$32,309
August	\$50,618
September	\$47,613
October	\$75,838
November	\$67,124
December	\$75,099
January	\$61,030
February	\$59,912
March	\$43,126
April	\$39,297
May	\$20,815

The District should monitor the financial activity in the Food Service Fund to help identify negative cash fund balances in a timely manner. Money should then be transferred or advanced into those funds to prevent negative fund balances. The failure to transfer or advance money from an unrestricted fund into a fund with a probable negative cash balance increases the risk that restricted money from the cash pool may be spent illegally.

OFFICIAL'S RESPONSE

With regard to Finding Number 2006-002 Reportable Condition O.R.C. 5705.10, the Board reports the negative fund balance in the food service fund as it exists. The Auditor's report apparently will find that funds should be transferred on a monthly basis to the cafeteria fund, so that that cafeteria fund does not have a negative fund balance. However, the Indian Lake Board of Education prefers to see the negative fund balance in the Food Service Fund and have the Treasurer advise the Board regarding the extent of the negative fund balance each month together with updates to the Board on how and when the fund balance can be improved. A monthly transfer of funds to the cafeteria fund would cause more confusion and would make the Board's monitoring of the negative fund balance more difficult. The Board does not want to hide the negative fund balance, but rather the Board wants to monitor and take steps to remedy the negative fund balance.

3. FINDINGS FOR FEDERAL AWARDS

None.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 117.38 & OAC Sec. 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding Number 2006-001
2005-002	ORC Sec. 5705.10 – Negative cash fund balances	No	Repeated as Finding Number 2006-002



**Auditor of State
Betty Montgomery**

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INDIAN LAKE LOCAL SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 4, 2007**