



Mary Taylor, CPA  
Auditor of State



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Spencerville Local School District  
Allen County  
600 School Street  
Spencerville, Ohio 45887

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 Spencerville Local School District, Allen County, (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, Allen County, as of June 30, 2006, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 School District's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

May 1, 2007

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

This discussion and analysis provides key information from management highlighting the financial performance of the Spencerville Local School District (the School District) for the year ended June 30, 2006. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities decreased \$3,637,975, or 21 percent. The decrease is because, although revenues related to capital outlay increased, the total disbursements for the construction of school facilities were in excess of revenues.
- General Receipts accounted for \$7,672,296 in revenue or 36 percent of all receipts. The School District's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent 28.7 percent and 53.7 percent, respectively, of the total general revenue received from governmental activities during the fiscal year.
- Total program expenses were \$24,944,365. The School District has undertaken the construction of new school facilities through the Ohio School Facilities Construction Program. Revenues and expenditures represent 57 percent and 64.9 percent, respectively, for governmental activities for this construction project.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement 34, as applicable to the School District's modified cash basis of accounting. The statements are organized so the reader can understand the School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those 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 School District's most significant funds with all other nonmajor funds presented in total in one column. For fiscal year 2006, the General Fund, Ohio School Facilities Construction Fund (OSFC), and the New Campus Building Fund are the most significant funds.

**Basis of Accounting**

The School District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and cash equivalents, and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. 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 modified cash basis of accounting.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities** - While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations. The School District has no business-type activity funds.

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

**Fund Financial Statements** - The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General Fund, the OSFC Fund, and the New Campus Building Fund.

**Governmental Funds** - Governmental funds 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 a cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

**Reporting the District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as a private purpose trust. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 14 and 15. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**The School District as a Whole**

This year's financial statements were prepared on the modified cash basis utilizing the GASB 34 format. The School District has provided a comparative analysis between fiscal year 2006 and 2005.

**(Table 1)  
Net Assets – Modified Cash Basis  
Governmental Activities  
2006                      2005**

<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,035,107	\$10,182,938
Investments	6,442,032	6,932,176
<b>Total Assets</b>	<u>\$13,477,139</u>	<u>\$17,115,114</u>
<b>NET ASSETS</b>		
<b>Restricted:</b>		
Capital Projects	\$10,828,939	\$14,568,901
Debt Service	207,901	183,495
Other Purposes	496,091	383,513
Set Asides	129,030	71,304
Unrestricted	1,815,178	1,907,901
<b>Total Net Assets</b>	<u>\$13,477,139</u>	<u>\$17,115,114</u>

Table 2 shows the changes in net assets for fiscal year 2006 in comparison to fiscal year 2005. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)  
Governmental Activities  
2006                      2005**

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
<b>Revenues</b>		
<b>Program Receipts</b>		
Charges for Services	\$ 707,321	\$ 594,741
Operating Grants	790,209	713,084
Capital Grants	12,136,564	6,829,868
<b>General Receipts</b>		
Property Taxes	2,199,080	2,012,681
Income Taxes	928,513	895,447
Grants and Entitlements	4,120,970	3,841,873
Other	423,733	436,574
<b>Total Receipts</b>	<u>21,306,390</u>	<u>15,324,268</u>
<b>Program Disbursements</b>		
Instruction	4,719,948	4,684,297
Support Services	2,800,242	2,899,372
Non-Instructional	31,157	12,877
Food Service	364,002	358,134
Extracurricular	345,802	353,025
Capital Outlay	16,184,904	1,467,525
Repayment of Debt	498,310	7,389,856
<b>Total Disbursements</b>	<u>24,944,365</u>	<u>17,165,086</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (3,637,975)</u>	<u>\$ (1,840,818)</u>

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**Governmental Activities**

Program receipts of \$13,634,094 represent 64 percent of the total governmental activities receipts of \$21,306,390. These receipts are up 73.2 percent from last year. The increase in the percentage of program receipts occurred because \$5,306,696 or 77.7 percent more in capital grants was received over the previous year. These grants are mostly from the State and are actually drawdowns from the Ohio School Facilities Commission (OSFC) building project. The drawdowns are made on a quarterly basis and are determined by the projected expenses on the OSFC building project for the quarter.

The government still relies on general receipts to fund the cost of services provided to the students. Of these general receipts 40.8 percent (\$3,127,593) comes from tax levies and 53.7 percent (\$4,120,970) is from state and federal funding. The School District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 54.7 percent of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$4,719,948, or 18.9 percent of disbursements, but program receipts contributed to fund 20 percent of those costs. Thus, general revenues of \$3,779,051 were used to support the remainder of the instruction costs.

The School District's total cost for non-instructional services increased by almost \$7.8 million. This increase was mostly created by the absence of retiring \$6.8 million bond anticipation notes in 2005 and having an additional \$14.7 million in capital facilities construction costs. The total cost of services is expected to decrease for future years.

The School District's governmental activities cash balances decreased by \$3,637,975. During the year, the School District had a full year of expenses from the OSFC building project. This change in cash balance is projected to slowly decline while the OSFC building project is being completed.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)  
Governmental Activities**

	<b>2006</b>		<b>2005</b>	
	<b>Total Cost of Service</b>	<b>Net Cost of Service</b>	<b>Total Cost of Service</b>	<b>Net Cost Of Service</b>
<b>Instruction</b>	\$4,719,948	\$ 3,779,051	\$ 4,684,297	\$4,279,909
<b>Support Services:</b>				
Pupil and Instructional Staff	621,548	569,972	750,008	637,692
Board of Education, Business, Administration, and Fiscal	1,045,247	1,035,590	939,194	925,366
Operation and Maintenance of Plant	670,397	670,397	711,832	693,126
Pupil Transportation	457,090	433,319	493,405	456,750
Central	5,960	960	4,933	(67)
Operation of Non-Instructional	31,157	30,572	12,877	7,529
Operation of Food Service	364,002	10,643	358,134	44,409
Extracurricular Activities	345,802	233,117	353,025	218,421
Capital Outlay	16,184,904	4,048,340	1,467,525	(5,359,768)
Repayment of Debt	498,310	498,310	7,389,856	7,389,856
<b>Total</b>	<b>\$24,944,365</b>	<b>\$11,310,271</b>	<b>\$17,165,086</b>	<b>\$9,293,223</b>

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

The School District has three major governmental funds: the General Fund, and the Ohio School Facilities Construction Fund (OSFC) Fund and the New Campus Building Fund. Receipts of the General Fund comprise \$7,283,838 (34.2 percent) of the total \$21,306,390 governmental funds receipts and 28.9 percent of the total expenses for the governmental funds. Receipts of the OSFC Fund comprise \$12,136,564 (57 percent) of that same total and 64.4 percent of total expenses. The New Campus Building Fund receipts comprise \$69,224 (0.3 percent) of the same total and less than 0.1 percent of total expenses.

**General Fund** – The General Fund cash balance at June 30, 2006 was \$1,944,208 which represents 14.4 percent of total governmental fund cash balances for fiscal year 2006. General fund receipts were less than disbursements by \$34,997 indicating that the general fund is in a deficit spending situation. The change in the General Fund cash balance was due mainly to transfers of cash to fund other funds' projects. Also, the increases in the cost of all services, fuel, as well as an increase in the cost of employee benefits, have contributed to the decrease in cash in the General Fund.

**General Fund Budgeting Highlights**

The School 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. The statement comparing the School Districts original and final budgets and actual results is presented as part of the basic financial statements.

During the course of fiscal year 2006, the School District amended its general fund budget to reflect changing circumstances. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

**Capital Assets and Debt Administration**

**Capital Assets** - The School District's financial statements are prepared on the modified cash basis of accounting and thus, capital assets acquired by the School District are recorded as disbursements and have not been capitalized.

**Debt** - At June 30, 2006, the School District's outstanding debt included an energy conservation improvement note in the amount of \$216,475 and a bond issue in the amount of \$6,461,991 for the construction of new school facilities. During fiscal year 2006, the School District paid principal on its HB-264 energy conservation improvement note in the amount of \$30,925 and \$170,000 on the school facility bond issue. Further information on these debt instruments can be found at Note 11 in the notes to the basic financial statements.

**Economic Factors**

The School District, like all other taxing entities in the State of Ohio, faces the uncertainty of the economy. The School District's operating revenue is composed primarily of property taxes and a local income tax. With a weak economy, these reserves can fluctuate in great amounts from year to year.

As for expenses, the School District faces continued increases in the cost of health care for its employees. The School District also faces an increasing number of children requiring special education and services. Charges to provide these services increase every year. The School District has faced these challenges the last few years by making cuts to its budget, services offered and not replacing retiring/resigning staff.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**Current Issues**

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 10.3 percent of revenues for governmental activities for the School District in fiscal year 2006.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for longer than it was planned. This has been made increasingly difficult with mandates in gifted education, reporting requirements, rising utility costs, increased special education services required for our students, and increases in health insurance and other insurances.

The School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer's office at the Spencerville Local School District, 600 School Street, Spencerville, Ohio 45887.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,035,107
Investments	<u>6,442,032</u>
Total Assets	<u><u>13,477,139</u></u>
<b>NET ASSETS:</b>	
<b>Restricted for:</b>	
Debt Service	207,901
Capital Outlay	10,828,939
Other Purposes	496,091
Set-asides	129,030
Unrestricted	<u>1,815,178</u>
<b>Total Net Assets</b>	<u><u>\$13,477,139</u></u>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

	<u>Cash</u>	<u>Program Receipts</u>			<u>Net</u>
		<u>Disbursements</u>	<u>Charges</u>	<u>Operating</u>	<u>Capital</u>
		<u>For Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Total</u>
		<u>and Sales</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>
					<u>Activities</u>
					<u>Changes in</u>
					<u>Net Assets</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$3,736,423	\$356,698	\$51,200		(\$3,328,525)
Special	595,804		383,072		(212,732)
Vocational	53,510		17,603		(35,907)
Adult/Continuing	3,267				(3,267)
Other	330,944		132,324		(198,620)
<b>Support Services:</b>					
Pupils	435,090		107		(434,983)
Instructional Staff	186,458		51,469		(134,989)
Board of Education	28,997				(28,997)
Administration	669,501		9,439		(660,062)
Fiscal	346,659				(346,659)
Business	90	218			128
Operation and Maintenance of Plant	670,397				(670,397)
Pupil Transportation	457,090		23,771		(433,319)
Central	5,960		5,000		(960)
Operation of Non-Instructional Services	31,157	585			(30,572)
Food Service Operations	364,002	237,135	116,224		(10,643)
Extracurricular Activities	345,802	112,685			(233,117)
Capital Outlay	16,184,904			\$12,136,564	(4,048,340)
Debt Service:					
Principal	200,925				(200,925)
Interest and Fiscal Charges	297,385				(297,385)
<b>Total Governmental Activities</b>	<u>\$24,944,365</u>	<u>\$707,321</u>	<u>\$790,209</u>	<u>\$12,136,564</u>	<u>(11,310,271)</u>
<b>General Receipts:</b>					
Taxes:					
Taxes Levied for General Purposes					1,627,485
Taxes Levied for Debt Service					430,975
Taxes Levied for Capital Projects					104,891
Taxes Levied for Other Purposes					35,729
Income Taxes					928,513
Tuition and Fees					634
Grants and Entitlements not Restricted to Specific Programs					4,120,970
Investment Earnings					265,370
Gifts and Donations					135,163
Miscellaneous					22,566
Total General Receipts					<u>7,672,296</u>
Change in Net Assets					(3,637,975)
Net Assets at Beginning of Year					<u>17,115,114</u>
<b>Net Assets at End of Year</b>					<u><u>\$13,477,139</u></u>

See accompanying notes to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

	<u>General</u>	<u>Ohio School Facilities Construction</u>	<u>New Campus Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,815,178	\$2,111,276	\$1,722,230	\$1,257,393	\$6,906,077
Investments		5,358,468		1,083,564	6,442,032
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	129,030				129,030
<b>Total Assets</b>	<u>1,944,208</u>	<u>7,469,744</u>	<u>1,722,230</u>	<u>2,340,957</u>	<u>13,477,139</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	244,340	7,159,133		234,662	7,638,135
Reserved for Textbooks and Instructional Materials	129,030				129,030
Unreserved, Undesignated, Reported in:					
General Fund	1,570,838				1,570,838
Special Revenue Funds				351,833	351,833
Debt Service Fund				207,901	207,901
Capital Projects Fund		310,611	1,722,230	1,546,561	3,579,402
<b>Total Fund Balances</b>	<u>\$1,944,208</u>	<u>\$7,469,744</u>	<u>\$1,722,230</u>	<u>\$2,340,957</u>	<u>\$13,477,139</u>

See accompanying notes to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

	<u>General</u>	<u>Ohio School Facilities Construction</u>	<u>New Campus Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts</b>					
Property Taxes	\$1,627,485			\$571,596	\$2,199,081
Income Tax	928,513				928,513
Intergovernmental	4,239,858	\$11,814,258		671,321	16,725,437
Interest	120,844	322,306	\$69,224	75,302	587,676
Tuition and Fees	357,283				357,283
Extracurricular Activities				112,685	112,685
Gifts and Donations				135,163	135,163
Charges for Services	602			237,135	237,737
Miscellaneous	5,103			12,931	18,034
Total Cash Receipts	<u>7,279,688</u>	<u>12,136,564</u>	<u>69,224</u>	<u>1,816,133</u>	<u>21,301,609</u>
<b>Cash Disbursements</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,610,098			126,325	3,736,423
Special	362,870			232,934	595,804
Vocational	53,510				53,510
Adult Continuing	3,267				3,267
Other	327,304			3,640	330,944
<b>Support Services:</b>					
Pupil	352,746			82,344	435,090
Instructional Staff	152,555			33,903	186,458
Board of Education	28,997				28,997
Administration	649,987		5,053	14,461	669,501
Fiscal	331,018		2,533	13,108	346,659
Business	90				90
Operation and Maintenance of Plant	668,027			2,370	670,397
Pupil Transportation	443,301			13,789	457,090
Central	892			5,068	5,960
Operation of Non-Instructional Services	892			30,265	31,157
Operation of Food Services				364,002	364,002
Extracurricular Activities	200,885			144,917	345,802
Capital Outlay		16,061,845	325	122,734	16,184,904
<b>Debt Service:</b>					
Principal Retirement	30,925			170,000	200,925
Interest and Fiscal Charges	10,785			286,600	297,385
Total Cash Disbursements	<u>7,228,149</u>	<u>16,061,845</u>	<u>7,911</u>	<u>1,646,460</u>	<u>24,944,365</u>
Excess of Receipts Over (Under) Disbursements	51,539	(3,925,281)	61,313	169,673	(3,642,756)
<b>Other Financing Sources (Uses)</b>					
Sale of Fixed Assets	3			631	634
Refund of Prior Year Expenditures	4,147				4,147
Advances In	33,300			23,974	57,274
Transfers In	4,137			104,149	108,286
Advances Out	(23,974)			(33,300)	(57,274)
Transfers Out	(104,149)			(4,137)	(108,286)
Total Other Financing Sources (Uses)	<u>(86,536)</u>			<u>91,317</u>	<u>4,781</u>
Net Change in Fund Balances	(34,997)	(3,925,281)	61,313	260,990	(3,637,975)
Fund Balances Beginning of Year	<u>1,979,205</u>	<u>11,395,025</u>	<u>1,660,917</u>	<u>2,079,967</u>	<u>17,115,114</u>
<b>Fund Balances End of Year</b>	<u><u>\$1,944,208</u></u>	<u><u>\$7,469,744</u></u>	<u><u>\$1,722,230</u></u>	<u><u>\$2,340,957</u></u>	<u><u>\$13,477,139</u></u>

See accompanying notes to the basic financial statements.



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<b>Receipts</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
Property and Other Local Taxes	\$1,505,553	\$1,507,231	\$1,627,485	\$120,254
Income Taxes	922,308	922,308	928,513	6,205
Intergovernmental	4,162,072	4,226,793	4,239,858	13,065
Interest	65,323	65,323	120,844	55,521
Tuition and Fees	293,883	294,883	357,283	62,400
Gifts and Donations	1,000			
Customer Sales and Services	1,184		602	602
Miscellaneous	4,612	4,612	5,103	491
<b>Total Receipts</b>	<b>6,955,935</b>	<b>7,021,150</b>	<b>7,279,688</b>	<b>258,538</b>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,663,357	3,684,194	3,630,950	(53,244)
Special	238,718	427,970	415,426	(12,544)
Vocational	55,723	55,925	53,924	(2,001)
Adult/Continuing	2,954	3,274	3,267	(7)
Other	522,141	377,090	403,234	26,144
<b>Support Services:</b>				
Pupils	354,748	367,367	355,033	(12,334)
Instructional Staff	186,759	168,171	156,033	(12,138)
Board of Education	28,747	31,333	29,674	(1,659)
Administration	679,396	705,226	663,716	(41,510)
Fiscal	334,582	371,457	358,893	(12,564)
Business	397	397	115	(282)
Operation and Maintenance of Plant	837,193	768,070	703,449	(64,621)
Pupil Transportation	492,692	470,343	454,125	(16,218)
Central	892	892	892	
Operation of Non-Instructional Services	1,432	1,432	892	(540)
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	18,839	18,966	18,916	(50)
Occupation Oriented Activities	2,654	2,654	1,345	(1,309)
Sport Oriented Activities	176,891	176,891	173,021	(3,870)
School and Public Service Co-Curricular Activity	7,842	7,954	7,874	(80)
<b>Capital Outlay:</b>				
Site Acquisition Services	97	97		(97)
<b>Debt Service:</b>				
Principal	30,925	30,925	30,925	
Interest	10,785	10,785	10,785	
<b>Total Disbursements</b>	<b>7,647,764</b>	<b>7,681,413</b>	<b>7,472,489</b>	<b>(208,924)</b>
Excess of Receipts Over (Under) Disbursements	(691,829)	(660,263)	(192,801)	467,462
<b>Other Financing Sources (Uses)</b>				
Transfers In		3,630	4,137	507
Advances In	33,300	33,300	33,300	
Proceeds from Sale of Capital Assets		1,184	3	(1,181)
Refund of Prior Year Expenditures		3,820	4,147	327
Transfers Out	(150,000)	(133,300)	(104,149)	29,151
Advances Out	(33,300)	(33,300)	(23,974)	9,326
Other Financing Uses	(594,924)	(651,824)		651,824
<b>Total Other Financing Sources (Uses)</b>	<b>(744,924)</b>	<b>(776,490)</b>	<b>(86,536)</b>	<b>689,954</b>
Net Change in Fund Balances	(1,436,753)	(1,436,753)	(279,337)	1,157,416
Fund Balance at Beginning of Year	1,759,453	1,759,453	1,759,453	
Prior Year Encumbrances Appropriated	219,752	219,752	219,752	
<b>Fund Balance at End of Year</b>	<b>\$542,452</b>	<b>\$542,452</b>	<b>\$1,699,868</b>	<b>\$1,157,416</b>

See accompanying notes to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$95,332	\$37,356
Total Assets	<u>95,332</u>	<u>37,356</u>
<b>Net Assets</b>		
Held in Trust for Scholarships:		
Expendable	2,309	
Non-expendable	93,023	
Held For Students		37,356
<b>Total Net Assets</b>	<u>\$95,332</u>	<u>\$37,356</u>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest	<u>\$3,247</u>
Total Cash Additions	3,247
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>2,500</u>
Change in Net Assets	747
Net Assets - Beginning of Year	<u>94,585</u>
<b>Net Assets - End of Year</b>	<u><u>\$95,332</u></u>

*See accompanying notes to the basic financial statements.*

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

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

The School District is located in Allen, Auglaize and Van Wert Counties. It is staffed by 37 non-certificated employees and 74 certificated full-time teaching personnel who provide services to 1,021 students and other community members. The School District currently operates 2 elementary schools, 1 middle school, and 1 high school.

**A. Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has the following component unit:

**Blended Component Unit**

The Spencerville Education Foundation is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government.

**The Spencerville Education Foundation, Inc.** - (the Foundation) was organized under the nonprofit corporation law of Ohio to operate exclusively for the benefit of the School District. The Foundation receives and administers donations for educational and public charitable purposes for which the School District was formed.

The Foundation is governed by a nine member board of trustees. Two trustees shall at all times be members of the Board of Education, appointed by the Board of Education. One trustee shall at all times be the Superintendent of the School District, one trustee shall at all times be the Treasurer of the School District, and one trustee shall at all times be the Guidance Counselor of the School District. One trustee shall at all times be a representative selected by the Spencerville Chamber of Commerce and another selected by the Spencerville Parent-Teacher Organization. The remaining two Trustees shall be elected at the annual meeting of the Members.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

The School District is associated with five jointly governed organizations and three insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Career Center, the West Central Regional Professional Development Center, the West Central Ohio Special Education Regional Resource Center, Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Allen County Schools Health Benefit Plan, and Sheakley Uniservice, Inc. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**B. Basis of Presentation**

**1. Government-Wide Financial Statements**

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

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct disbursements and program receipts for each function of the governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and are therefore 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 School District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified cash basis of accounting or draws from the general receipts of the School District.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC 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 School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. The School District has three major funds: the General Fund, Ohio School Facilities Construction Fund, and the New Campus Building Fund which are presented in separate columns. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**C. Fund Accounting**

The School District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

**1. Governmental Funds/Governmental Activities**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources (except those accounted for in fiduciary funds) are accounted for through governmental funds. The School District's major funds are the General Fund the Ohio School Facilities Construction Fund, and the New Campus Building Fund.

**General Fund** - The General Fund is the primary operating fund of the School District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Ohio School Facilities Construction (OSFC) Fund** - This fund is used to account for the local and state monies received and expended under the State of Ohio Classroom Facilities Assistance Program for the construction of new school facilities.

**New Campus Building Fund** - This fund is used to accumulate currently available resources for the acquisition, construction, or improvement of Spencerville High School, Elementary/Middle School and/or other appropriate uses.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**2. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust funds and agency funds. The School District's private purpose trust funds account for assets held by the School District that are not available to fund the School District's programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board.

The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer.

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

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled, except for cash and investments related to the school facilities construction project. Monies for the remaining funds are maintained in this pool or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

During fiscal year 2006, investments were limited to non-negotiable certificates of deposit, government securities, savings accounts, and STAR Ohio. Non negotiable certificates of deposit and premium interest-bearing accounts are stated at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 was \$120,844, which included \$40,713, assigned from other funds.

**F. Inventory and Prepaid Items**

On the modified cash basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

**G. Property, Plant and Equipment**

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

**H. Compensated Absences**

All leave will either be utilized by time off from work or, within certain limitations, be paid to employees. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the School District.

**I. Long-Term Obligations**

Long-term debt arising from cash basis transactions of governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

**J. Net Assets/Restricted Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2006, there were no net assets restricted by enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances and textbooks and instructional materials.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

**L. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

**M. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**N. Receipts, Disbursements, and Expenses**

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

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

**3. ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code Section 117-02-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**4. DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or securities 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 such securities must be direct issuances of federal government agencies or instrumentalities;
3. Time certificates of deposits, or savings or deposit accounts including but not limited to passbook accounts;
4. Bonds and other obligations of the State of Ohio, or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of securities described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that (i) investments in securities described in this division are made with a bank or savings and loan association eligible to be a depository for public funds of Ohio subdivisions, and (ii) such fund meets the requirements of Chapter 135 of the Revised Code (including the requirement that the fund not contain any investments in "derivatives");
6. State treasurer's investment pool (STAR Ohio);
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of Section 135.14(E) of the Revised Code, with (i) a bank or savings and loan association eligible to be a depository of public funds of Ohio subdivisions, or (ii) NASD member;
8. Commercial paper rated in the highest credit rating by at least two nationally recognized credit rating agencies and subject to the transactions of Section 135.14 of the Revised Code;
9. Bankers Acceptance subject to the restrictions of Section 135.14 of the Revised Code.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, contracting to sell securities that have not yet been acquired on speculation that bond prices will decline, the use of current investment assets as collateral to purchase other assets, leverage and short selling are also prohibited. Investments in a fund established by another country, subdivision, treasurer or governing board for the purpose of investing the public funds of their subdivisions, other than STAR Ohio and funds established to acquire, construct, lease or operate a municipal utility are not allowed.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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.

**Deposits** - Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits.

As of June 30, 2006 the School District had \$250 in undeposited cash on hand. This amount is included in cash and cash equivalents.

At fiscal year end, the carrying amount of the School District's deposits was \$2,385,334 and the bank balance was \$3,507,891. Of the bank balance, \$300,000 was covered by federal depository insurance and \$3,207,891 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department but not in the School district's name.

Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments** - Investments are reported at carrying value. As of June 30, 2006, the School District had the following investments:

	<b>Carrying Value</b>	<b>Investment Maturities (in months)</b>	
		<b>0 - 6</b>	<b>7 - 12</b>
Federal Home Loan Bank	\$ 3,794,007	\$ 2,794,007	\$ 1,000,000
Federal National Mortgage Association	1,990,204	1,990,204	
Mutual Funds -			
Short-Term Government Agencies	1,347,296	1,347,296	
Total Investments	<u>7,131,507</u>	<u>\$ 6,131,507</u>	<u>\$ 1,000,000</u>
STAR Ohio	<u>4,092,736</u>		
Total Carrying Value	<u>\$ 11,224,243</u>		

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

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

**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. The School District's investment policy addresses interest rate risk by requiring that the investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Credit Risk** - The School District has no investment policy dealing with credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, mutual funds, and Star Ohio carried a rating of AAA by Standard and Poor's at June 30, 2006.

**Concentration of Credit Risk** - The School District places no limit on the amount the School District may invest in any one issuer. The percentage of the School District's investments in Federal Home Loan Bank is 34 percent; Federal National Mortgage Association 18 percent, Mutual Funds 12 percent, and STAR Ohio 36 percent.

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**5. PROPERTY TAXES (Continued)**

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 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. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen, Auglaize, and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	<b>2005 Second -Half Collections</b>		<b>2006 First-Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$73,318,790	89%	\$73,470,670	90%
Public Utility	4,100,860	5%	3,788,070	5%
Tangible Personal Property	<u>5,322,937</u>	<u>6%</u>	<u>4,258,881</u>	<u>5%</u>
Total Assessed Value	<u>\$82,742,587</u>	<u>100%</u>	<u>\$81,517,621</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$37.37		\$37.63	

**6. INCOME TAXES**

The School District renewed a tax levy of one percent for general operations on the income of residents and estates. The renewed tax was effective on January 1, 2003, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

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

**7. DIESEL SCHOLARSHIP FUND**

The Diesel Scholarship Fund was established on November 7, 1967 through a trust agreement. Qualified students may borrow amounts determined yearly dependent on the ability of the fund to pay for the costs of higher education. Repayments begin after termination of college attendance. At the close of fiscal year 2006, there were 11 students with a total principal balance of \$15,420. Of the balance, \$11,820 represents the portion that is collectable. The remaining \$3,600 is deferred until the student completes or leaves post secondary schooling.

**8. RISK MANAGEMENT**

**A. Public Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted with Indiana Insurance (through O'Conner-McLaughlin Ins. Co.) for property and contents insurance. Property coverages amounted to \$17,737,900. The School District has a \$2,500 deductible on this coverage.

General and professional liability is protected by The Ohio School Plan (through Hylant Administrative Services) with \$1,000,000 each occurrence and \$3,000,000 aggregate limit. There is a minimum \$2,500 deductible on this coverage.

Vehicles are covered by Hylant Administrative Services and hold a \$1,000 deductible for bus and \$500 for auto collisions. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance for the Board President, Superintendent and Treasurer is provided by the Mueller-Paulus-Homan Insurance Company for a total of \$60,000 (\$20,000 each). The School District has a \$2,500 (\$500 deductible) dishonesty bond covering all employees who handle money. The dishonesty bond is provided by O'Conner McLaughlin Insurance Company.

For the life of the building project, the School District will maintain Builders-at-Risk insurance with Indiana Insurance (through O'Conner-McLaughlin Co.). Coverage is set by OSFC standards and the deductible is \$5,000.

**B. Workers' Compensation**

For fiscal year 2006, the School District participated in the Sheakley Uniservice, Inc. Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool (Note 16). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual total. The School District pays the State's Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. 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 share equally in the overall performance of the Plan.

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

**8. RISK MANAGEMENT (Continued)**

**C. Employee Medical Benefits**

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS Ohio Website at [www.strsoh.org](http://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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the 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. If an active Plan member should die before retirement, the eligible spouse and dependents 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.



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salary. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$479,663, \$474,183, and \$455,748, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides annual cost of living adjustments, retirement, disability, survivor, and health care benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. 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 (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$106,874, \$100,502, and \$84,196, respectively; 51 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. 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. POST EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired certified employees and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute.

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

**10. POST EMPLOYMENT BENEFITS (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All 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 percent of covered payroll. The Board currently allocates employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$36,897.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

At June 30, 2006, the employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$49,212 for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	<b>Principal Outstanding 6/30/2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding 6/30/2006</b>	<b>Due Within One Year</b>
Note Payable HB 264, 4.65%	\$ 247,400	\$ 0	\$ 30,925	\$ 216,475	\$ 30,925
2004 School Improvement Bonds					
Serial, 2.0-2.7%	520,000		170,000	350,000	175,000
Term, 3.3-5.125%	5,960,000			5,960,000	
Capital Appreciation	151,991			151,991	
Capital Accretion	17,374	19,353		36,727	21,564
<b>Total Long-Term Obligations</b>	<b>\$6,896,765</b>	<b>\$19,353</b>	<b>\$ 200,925</b>	<b>\$6,715,193</b>	<b>\$227,489</b>

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

**11. LONG-TERM OBLIGATIONS (Continued)**

**Note Payable HB 264** - On February 2, 1998, the School District issued \$463,876 in energy conservation improvement notes in accordance with House Bill 264. The notes were issued to finance modification, installation and remodeling of school buildings for the purpose of reducing energy consumption and thereby reducing current expenses of the School District. The notes were issued for a period of fifteen years with final maturity on December 1, 2012. The notes will be retired from the General Fund. Principal and interest requirements to retire this debt outstanding at June 30, 2006, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 30,925	\$ 9,347	\$ 40,272
2008	30,925	7,909	38,834
2009	30,925	6,471	37,396
2010	30,925	5,033	35,958
2011	30,925	3,595	34,520
2012-2013	61,850	2,876	64,726
Total	<u>\$216,475</u>	<u>\$35,231</u>	<u>\$251,706</u>

**2004 School Improvement Bonds** - - The School District issued \$6,806,991 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bonds were issued in June 2004. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$695,000, \$5,960,000, and \$151,991 respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The Current Interest Bonds start maturing on December 01, 2007. The Bonds are subject to mandatory sinking fund redemption starting on December 1, 2008, and on each December 1 thereafter, at 100 percent of the principal amount thereof plus accrued interest to the date of redemption. Unless otherwise called for redemption, the remaining principal amount of the Bonds is to be paid at stated maturity.

The Capital Appreciation Bonds will mature in fiscal years 2019 through 2021. The maturity amount of the bonds is \$270,000 each year. During fiscal year 2006, the accretion for the Capital Appreciation bonds was \$19,353 for an accreted value of \$188,718 at June 30, 2006. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire the bonds at June 30, 2006 are as follows:

<u>Fiscal Year June 30,</u>	<u>Serial Bonds</u>	<u>Term Bonds</u>	<u>Capital Bonds</u>	<u>Total Bonds</u>	<u>Interest/ Acetion</u>	<u>Total</u>
2006	\$175,000			\$175,000	\$284,900	\$459,900
2007	175,000			175,000	280,963	455,963
2008		\$185,000		185,000	276,238	461,238
2009		190,000		190,000	270,132	460,132
2010		195,000		195,000	263,862	458,862
2011-2015		1,090,000		1,090,000	1,199,725	2,289,725
2016-2020		500,000	\$151,991	651,991	1,645,788	2,297,779
2021-2025		1,475,000		1,475,000	818,326	2,293,326
2026-2030		1,885,000		1,885,000	412,050	2,297,050
2031		440,000		440,000	22,550	462,550
Total	<u>\$350,000</u>	<u>\$5,960,000</u>	<u>\$151,991</u>	<u>\$6,461,991</u>	<u>\$5,474,534</u>	<u>\$11,936,525</u>

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. INTERFUND TRANSFERS**

During fiscal year 2006, the following transfers were made:

Transfers from the General Fund to Other Governmental Funds	\$104,149
Transfers from Other Governmental Funds to General Fund	4,137

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers from Other Governmental Funds are not considered legal transfers unless approved by the Court of Common Pleas. Approval from the Court was not obtained for this transfer.

**13. INTERFUND ADVANCES**

Interfund balances at June 30, 2006 consisted of the following individual fund receivables and payables:

Due to the General Fund from Other Governmental Funds	<u>\$23,974</u>
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**14. STATUTORY RESERVES**

State statute annually requires the School District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by fiscal year-end, or offset by similarly restricted resources received during the fiscal year, must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2006, the reserve activity was as follows:

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>
Carryover Balance At June 30, 2005	\$ 71,304	(\$6,806,991)
Required Set-Aside	148,694	148,694
Qualifying Disbursements	(90,968)	(43,803)
Current Year Offsets	0	(104,841)
	\$129,030	\$(6,806,991)
Balance June 30, 2006	\$129,030	\$(6,806,991)
Balance At June 30, 2006	\$129,030	\$(6,806,991)
Carried Forward to Fiscal Year 2007		\$(6,806,991)

The School District had qualifying disbursements during previous years that reduced the set-aside amount for capital acquisitions below zero. For capital acquisitions, this amount may be used to reduce the set-aside requirements of future years.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS**

**Northwest Ohio Area Computer Services Cooperative (NOACSC)** - The School District is a participant in NOACSC which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties and Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Ray Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**Apollo Career Center** - The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to Apollo Career Center, Greg Bukowski, Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**West Central Regional Professional Development Center (Center)** - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and, in particular, to improvements in instructional programs. The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and for their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Treasurer, Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**Northwestern Ohio Educational Research Council, Inc. (NOERC)** - The NOERC is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**16. GROUP PURCHASING POOL**

**Sheakley Uniservice, Inc.** - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**Allen County Schools Health Benefits Plan (the Plan)** - The Allen County Schools Health Benefit Plan is a jointly governed organization among ten school districts and the Allen County Educational Service Center. The purpose of the jointly governed organization was to form a voluntary employee benefit association to provide sick, dental, and vision benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the fund trustee for insurance coverage which is provided by CoreSource. The Plan is governed by an administrative committee consisting of the superintendent from each participating district. The degree of control exercised by any participating school district is limited to each representation on the committee. Financial information can be obtained from Karla Wireman, who serves as Treasurer, at 1920 Slabtown Road, Lima, Ohio 45801.

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

**17. OPERATING LEASES**

The School District is obligated under operating lease agreements with Perry Corporation for copiers. The minimum requirement of the lease is 2,400,000 copies in each 12 month period at \$.0112 per copy, and a total of 12,000,000 copies per lease. The School District is also obligated under a 60 month operating lease agreement for a postage meter.

The estimated future lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Copier Lease</u>	<u>Postage</u>
2007	\$ 26,880	\$1,848
2008	26,880	720
2009	26,880	
2010	26,880	
2011	1,120	
	<u>\$108,640</u>	<u>\$2,568</u>

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

**18. CONTRACTUAL COMMITMENTS**

At June 30, 2006 the School District had the following outstanding contractual commitments for the building construction project:

<b>Contractor/Vendor</b>	<b>Original Contractual Commitments</b>	<b>Amount Disbursed through June 30, 2006</b>	<b>Balance</b>
Ferguson Construction	\$ 11,980,107	\$ 8,345,627	\$3,634,480
Loopmaster International	878,000	805,722	72,278
Schumm Plumbing & Heating	4,267,200	2,816,714	1,450,486
Miller Contracting Group	1,458,800	917,158	541,642
Vulcan Fire Protection	335,063	145,248	189,815
Woolace Electric Corp.	2,641,400	1,681,525	959,875
RAME Inc.	1,322,500	1,304,785	17,715
C and T Design and Equipment	340,320	147,565	192,755
Area Energy and Electric	269,565	82,194	187,371
<b>Total</b>	<b>\$ 23,492,955</b>	<b>\$ 16,246,538</b>	<b>\$7,246,417</b>

**19. CONTINGENCIES**

**Grants** - The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
National School Lunch Program	045807-LLP4-2005	10.555	32,922		32,922	
	045807-LLP4-2006		64,863		64,863	
Total National School Lunch Program			97,785		97,785	
Food Distribution Program	N/A	10.550		15,379		15,379
<b>Total U.S. Department of Agriculture</b>			97,785	15,379	97,785	15,379
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Special Education - Grants to States	045807-6BSF-2005	84.027	(653)		12,766	
	045807-6BSF-2006		242,134		229,860	
Total Special Education			241,481		242,626	
Title I - Grants to Local Educational Agencies	045807-C1S1-2006	84.010	113,456		113,456	
Improving Teacher Quality State Grant	045807-TRS1-2006	84.367	38,779		38,143	
Safe & Drug Free Schools and Communities - State Grants	045807-DRS1-2003	84.186			10	
	045807-DRS1-2005				166	
	045807-DRS1-2006		4,653		4,653	
Total Safe & Drug Free Schools and Communities			4,653		4,829	
Title V - Innovative Education Program	045807-C2S1-2005	84.298	2,983		3,272	
	045807-C2S1-2006		2,779		2,779	
Total Title V			5,762		6,051	
Education Technology State Grants	045807-TJS1-2005	84.318			3,042	
	045807-TJS1-2006		210			
Total Education Technology State Grants			210		3,042	
<b>Total U. S. Department of Education</b>			404,341		408,147	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$502,126</u>	<u>\$15,379</u>	<u>\$505,932</u>	<u>\$15,379</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION PROGRAM**

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

**NOTE C – SCHOOL LUNCH PROGRAM**

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

**NOTE D - PROGRAM YEAR TRANSFERS**

The negative receipt of \$653 recorded on the Schedule for CFDA # 84.027 represents a transfer between the 2005 and 2006 program years within the same CFDA Number. The transfer is recorded as a negative receipt in the transferring fund/special cost center and a positive receipt in the receiving fund/special cost center.



# Mary Taylor, CPA

Auditor of State

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

Spencerville Local School District  
Allen County  
600 School Street  
Spencerville, Ohio 45887

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 the Spencerville Local School District, Allen County, (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 1, 2007, wherein, we noted the School District used 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 School District's internal control over financial reporting to determine our auditing procedures in order 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. In a separate letter to the School District's management dated May 1, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the School District's management dated May 1, 2007, we reported other matters related to noncompliance we deemed immaterial.

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Spencerville Local School District  
Allen County  
Independent Accountants' 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 audit committee, management, Board of Education, federal awarding agencies and pass through agencies. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

May 1, 2007



# Mary Taylor, CPA

Auditor of State

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

Spencerville Local School District  
Allen County  
600 School Street  
Spencerville, Ohio 45887

To the Board of Education:

### Compliance

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

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

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

### Internal Control Over Compliance

The School 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 School 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the school district's management in a separate letter dated May 1, 2007.

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

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

**Mary Taylor, CPA**  
Auditor of State

May 1, 2007

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
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):	Title 1 – CFDA # 84.010  Special Education – CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**FINDING NUMBER 2006-001**

**Report Presentation**

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

**Ohio Adm. Code Section 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles.

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

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

**Officials' Response:**

The Board of Education and management of Spencerville Local School District are knowledgeable concerning the required reporting format (GASB 34 / Generally Accepted Accounting Principles) and the similarities and differences from the required reporting format and the method currently incorporated by the District (GASB 34 / Other Comprehensive Basis of Accounting). District personnel considered the cost-benefit of the two reporting formats and decided to report on the GASB 34 / Other Comprehensive Basis of Accounting format.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006  
OMB CIRCULAR A -133 ' .315 (b)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2005-001	Ohio Rev. Code Section 117.38; Ohio Admin Code Section 117-2-03(B) – preparation of financial statements in accordance with generally accepted accounting principles.	No	Repeated as 2006-001.





**Mary Taylor, CPA**  
Auditor of State

**SPENCERVILLE LOCAL SCHOOL DISTRICT**

**ALLEN 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  
MAY 31, 2007**