



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 fiscal year ended June 30, 2010, 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 cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, Allen County, as of June 30, 2010, and the respective changes in cash financial position and budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2010, 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.

Spencerville Local School District  
Allen County  
Independent Accountants' Report  
Page 2

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and 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 not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditure is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

November 16, 2010

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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 fiscal year ended June 30, 2010. 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 and notes.

### **Financial Highlights**

Key financial highlights for 2010 are as follows:

- Net assets of governmental activities increased \$30,328, or less than one percent.
- General Receipts accounted for \$8,002,163 in receipts or 82% of all receipts. The School District's general receipts are primarily property taxes, income taxes, grants and entitlements not restricted to specific programs. These receipts represent 27%, 12% and 60%, respectively, of the total general receipts received from governmental activities during the fiscal year.
- Total program expenses were \$9,788,056.

### **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 cash basis of accounting. The statements are organized so the reader can understand the Spencerville Local School District as a whole 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 2010, the General Fund 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 cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The 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 cash basis of accounting.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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 2010?" 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 7. 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 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 School 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, 2010  
UNAUDITED  
(Continued)**

**The School District as a Whole**

This year's financial statements were prepared on the cash basis utilizing the GASB 34 format. The School District has provided a comparative analysis between fiscal year 2010 and 2009.

**(Table 1)  
Net Assets – Cash Basis**

	<b>Governmental Activities</b>	
<b>Assets:</b>		
Cash & cash equivalents	\$4,226,445	\$4,196,117
Total Assets	<u>4,226,445</u>	<u>4,196,117</u>
<b>Net Assets:</b>		
<b>Restricted:</b>		
Capital Projects	965,112	1,052,294
Debt Service	277,281	268,404
Other Purposes	411,498	329,031
Set Asides	440,775	363,943
Unrestricted	<u>2,131,779</u>	<u>2,182,445</u>
Total Net Assets	<u><u>\$4,226,445</u></u>	<u><u>\$4,196,117</u></u>

Table 2 shows the changes in net assets for fiscal year 2010 in comparison to fiscal year 2009. 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**

	<b>2010</b>	<b>2009</b>
	<b>Governmental Activities</b>	<b>Governmental Activities</b>
<b>Revenues:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$ 854,198	\$ 837,093
Operating Grants, Contributions and Interest	934,108	969,785
Capital Grants, Contributions and Interest	27,915	96,862
<b>General Receipts:</b>		
Property Taxes	2,197,181	2,146,139
Income Taxes	982,502	1,070,732
Grants and Entitlements	4,810,561	4,488,314
Other	<u>11,919</u>	<u>40,658</u>
Total Receipts	<u>9,818,384</u>	<u>9,649,583</u>
<b>Program Disbursements:</b>		
Instruction	5,238,824	5,112,645
Support Services	3,026,235	3,150,578
Non-Instructional	22,074	19,100
Food Service	488,328	393,917
Extracurricular	358,788	349,882
Capital Outlay	160,851	285,257
Repayment of Debt	492,956	495,581
Total Disbursements	<u>9,788,056</u>	<u>9,806,960</u>
Increase (Decrease) in Net Assets	<u><u>\$ 30,328</u></u>	<u><u>(\$ 157,377)</u></u>

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Governmental Activities**

Program receipts of \$1,816,221 represent 19% of the total governmental activities receipts of \$9,818,384. These receipts decreased 5% compared to last year. The decrease in the percentage of program receipts occurred because the District received less operating and capital grants during fiscal year 2010.

The government still relies on general receipts to fund the cost of services provided to the students. Of these general receipts, 40% (\$3,179,683) comes from taxes and 60% (\$4,810,561) is from state and federal funding. The School District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 19% of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$5,238,824 or 54% of disbursements, but program receipts contributed to fund 18% of those costs. Thus, general revenues of \$4,304,211 were used to support the remainder of the instruction costs.

The School District's governmental activities cash balances increased by \$30,328.

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**

	2010		2009	
	Total Cost of Service	Net Cost of Services	Total Cost of Service	Net Cost of Services
<b>Support Services:</b>				
Pupil and Instructional Staff	\$675,249	\$ 556,765	\$ 653,139	\$ 637,011
Board of Education, Business, Administration, and Fiscal	1,028,881	1,022,690	1,059,688	1,042,651
Operation and Maintenance of Plant	818,002	784,064	883,292	850,211
Pupil Transportation	496,645	473,700	547,601	524,365
Central	7,458	2,458	6,858	1,858
Operation of Non-Instructional	22,074	2,660	19,100	8,305
Operation of Food Service	488,328	(37,912)	393,917	(28,955)
Extracurricular Activities	358,788	237,787	349,882	223,499
Capital Outlay	160,851	132,936	285,257	199,838
Repayment of Debt	492,956	492,476	495,581	428,116
<b>Total</b>	<b>\$9,788,056</b>	<b>\$7,971,835</b>	<b>\$9,806,960</b>	<b>\$7,903,220</b>

Instruction and student support services comprise 60% of governmental program disbursements. Board of Education, fiscal and administration charges were 11%. Fiscal disbursements include payments to the County Auditor(s) for administrative fees and other administrative services provided for the School District. Pupil transportation and the operation/maintenance of facilities accounts for 13% of governmental program disbursements.

The dependence upon tax receipts and unrestricted State entitlements for governmental activities is apparent.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

### **The School District's Funds**

For fiscal year 2010, the School District had two major governmental funds: the General Fund and the New Campus Building Fund. The assets of these funds comprise \$2,961,356, or 70% of the \$4,226,445 in total governmental assets.

**General Fund** – The General Fund cash balance at June 30, 2010 was \$2,402,536, which represents 57% of total governmental fund cash balances. Receipts and other financing sources of the General Fund comprise \$7,680,748 (78%) of the total \$9,869,061 governmental funds' receipts. General fund receipts were more than disbursements by \$47,150, indicating that the general fund is in a surplus spending situation. The change in the General Fund cash balance was due mainly to a reduction of disbursements.

**New Campus Building Fund** – The New Campus Building Fund cash balance at June 30, 2010 was \$558,820, which represents 13 percent of total governmental fund cash balances. The New Campus Building Fund receipts were \$762. The change in the New Campus Building Fund cash balance was due to disbursements exceeding funding.

### **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 District's original and final budgets and actual results is presented as part of the basic financial statements.

During the course of fiscal year 2010, the School District amended its general fund budget to reflect changing circumstances. The actual receipts varied from the final budgeted receipts by \$2,186 mainly due to an increase in intergovernmental receipts. Actual disbursements were less than final budgeted disbursements by \$745,100 mainly due to the reduction of instruction, operation and maintenance of plant and pupil transportation costs. 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 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, 2010, the School District's outstanding debt included an energy conservation improvement note in the amount of \$92,775 and a bond issue in the amount of \$5,876,665 for the construction of new school facilities. During fiscal year 2010, the School District paid principal on its HB-264 energy conservation improvement note in the amount of \$30,925 and \$190,000 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 receipts can fluctuate in great amounts from year to year.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

As for expenses, the School District faces continued increases in the cost of health care for its employees. The School District also must consider a 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. January 2007 began an exciting new challenge as K-12 students and staff moved to one new building with one cafeteria and the ability to share space and services. The installation of a geothermal system was very important to this School District and utility savings are anticipated.

**Current Issues**

Real estate and personal property tax collections have shown decreases. 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 22% of revenues for governmental activities for the Spencerville Local School District in fiscal year 2010.

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 Spencerville Local 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.

The 5-year renewable 1% income tax was approved on the November 2008 ballot. This tax has been a healthy and diverse income for the School District since 1993. This income has potential for growth and eases the burden on the agricultural community. Historically, the passage of this tax has been healthy.

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 - CASH BASIS  
June 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$4,226,445
Total Assets	<u>4,226,445</u>
 <b>Net Assets:</b>	
<b>Restricted for:</b>	
Debt Service	277,281
Capital Outlay	965,112
Other Purposes	411,498
Set Asides	440,775
Unrestricted	<u>2,131,779</u>
Total Net Assets	<u>\$4,226,445</u>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Receipts			Net (Expense) Revenue and Changes in Net Assets	
	Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	\$3,892,035	\$521,800	\$58,153		(\$3,312,082)
Special	928,307	3,161	335,725		(589,421)
Vocational	80,640		15,774		(64,866)
Adult/Continuing	110				(110)
Other	337,732				(337,732)
<b>Support services:</b>					
Pupils	470,969		84,270		(386,699)
Instructional staff	204,280		34,214		(170,066)
Board of education	37,593				(37,593)
Administration	635,829	1,388	4,319		(630,122)
Fiscal	355,311	484			(354,827)
Business	148				(148)
Operation and maintenance of plant	818,002		33,938		(784,064)
Pupil transportation	496,645		22,945		(473,700)
Central	7,458		5,000		(2,458)
Non-Instructional Services	22,074	772	18,642		(2,660)
Food Service	488,328	235,868	290,372		37,912
Extracurricular activities	358,788	90,725	30,276		(237,787)
Capital outlay	160,851			\$27,915	(132,936)
<b>Debt service:</b>					
Principal	220,925				(220,925)
Interest and fiscal charges	272,031		480		(271,551)
Total Governmental Activities	<u>\$9,788,056</u>	<u>\$854,198</u>	<u>\$934,108</u>	<u>\$27,915</u>	<u>(7,971,835)</u>
<b>General Receipts:</b>					
Property Taxes Levied for:					
General Purposes					1,652,099
Debt Service					410,911
Capital Projects					100,677
Building Maintenance					33,494
Income Taxes					982,502
Proceeds from Sale of Capital Assets					5,302
Grants and Entitlements not Restricted to Specific Programs					4,810,561
Interest					6,617
Total General Receipts					<u>8,002,163</u>
Change in Net Assets					30,328
Net Assets Beginning of Year					<u>4,196,117</u>
Net Assets End of Year					<u>\$4,226,445</u>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY'**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS**

	<b>General Fund</b>	<b>New Campus Building Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,961,761	\$558,820	\$1,265,089	\$3,785,670
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	440,775			440,775
Total Assets	<u>2,402,536</u>	<u>558,820</u>	<u>1,265,089</u>	<u>4,226,445</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	235,252	33,861	160,980	430,093
Textbooks and Instructional Materials	440,775			440,775
Unreserved, Designated for Severance and Termination Benefits			170,016	170,016
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	1,726,509			1,726,509
Special Revenue Funds			349,429	349,429
Debt Service Funds			277,281	277,281
Capital Projects Funds	524,959		307,383	832,342
Total Fund Balances	<u>\$2,402,536</u>	<u>\$558,820</u>	<u>\$1,265,089</u>	<u>\$4,226,445</u>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS**

	<u>General Fund</u>	<u>New Campus Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
<b>Taxes:</b>				
Property and Other Local Taxes	\$1,652,099		\$545,082	\$2,197,181
Income Taxes	982,502			982,502
Intergovernmental	4,493,993		1,229,916	5,723,909
Interest	6,617	762	1,428	8,807
Tuition and Fees	524,961			524,961
Rent	300			300
Extracurricular Activities			92,886	92,886
Gifts and Donations			51,727	51,727
Customer Sales and Services	184		235,868	236,052
Miscellaneous	1,785			1,785
<b>Total Receipts</b>	<b>7,662,441</b>	<b>762</b>	<b>2,156,907</b>	<b>9,820,110</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,545,003		347,032	3,892,035
Special	608,575		319,732	928,307
Vocational	80,640			80,640
Adult/Continuing	110			110
Other	332,528		5,204	337,732
<b>Support Services:</b>				
Pupils	386,536		84,433	470,969
Instructional Staff	158,546		45,734	204,280
Board of Education	37,593			37,593
Administration	600,633		35,196	635,829
Fiscal	344,234		11,077	355,311
Business	148			148
Operation and Maintenance of Plant	776,857		41,145	818,002
Pupil Transportation	473,700		22,945	496,645
Central	2,458		5,000	7,458
Non-Instructional Services			22,074	22,074
Food Services			488,328	488,328
Extracurricular Activities	231,772		127,016	358,788
Capital Outlay		4,900	155,951	160,851
<b>Debt Service:</b>				
Principal	30,925		190,000	220,925
Interest	5,033		266,998	272,031
<b>Total Disbursements</b>	<b>7,615,291</b>	<b>4,900</b>	<b>2,167,865</b>	<b>9,788,056</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>47,150</b>	<b>(4,138)</b>	<b>(10,958)</b>	<b>32,054</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	3,542		24,411	27,953
Advances In			1,017	1,017
Proceeds from Sale of Capital Assets	86		5,216	5,302
Refund of Prior Year Disbursements	14,679			14,679
Transfers Out	(24,411)		(3,542)	(27,953)
Advances Out	(1,017)			(1,017)
Refund of Prior Year Receipts	(1,800)		(19,907)	(21,707)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,921)</b>		<b>7,195</b>	<b>(1,726)</b>
Net Change in Fund Balances	38,229	(4,138)	(3,763)	30,328
<b>Fund Balance at Beginning of Year</b>	<b>2,364,307</b>	<b>562,958</b>	<b>1,268,852</b>	<b>4,196,117</b>
<b>Fund Balance at End of Year</b>	<b>\$2,402,536</b>	<b>\$558,820</b>	<b>\$1,265,089</b>	<b>\$4,226,445</b>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,511,068	\$1,652,099	\$1,652,099	
Income Taxes	1,070,717	982,502	982,502	
Intergovernmental	4,611,631	4,483,608	4,493,993	10,385
Interest	34,612	6,370	6,617	247
Tuition and Fees	467,168	532,872	524,961	(7,911)
Rent			300	300
Customer Sales and Services	864	864	184	(680)
Miscellaneous	1,940	1,940	1,785	(155)
<b>Total Receipts</b>	<b>7,698,000</b>	<b>7,660,255</b>	<b>7,662,441</b>	<b>2,186</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,899,098	3,892,522	3,576,904	315,618
Special	750,457	764,257	653,133	111,124
Vocational	76,190	83,343	81,313	2,030
Adult/Continuing	2,197	2,157	110	2,047
Other	342,553	339,726	337,050	2,676
<b>Support Services:</b>				
Pupils	426,695	437,698	388,568	49,130
Instructional Staff	182,010	183,219	167,890	15,329
Board of Education	45,236	44,752	42,891	1,861
Administration	696,475	678,439	622,131	56,308
Fiscal	401,802	406,803	367,544	39,259
Business	233	233	148	85
Operation and Maintenance of Plant	939,230	933,983	854,364	79,619
Pupil Transportation	558,153	555,050	488,309	66,741
Central	2,585	4,386	2,458	1,928
Other				0
<b>Extracurricular Activities:</b>				
Academic Oriented Activities	22,298	22,405	21,761	644
Occupation Oriented Activities	2,831	2,833	2,810	23
Sport Oriented Activities	181,775	200,521	200,216	305
School and Public Service Co-Curricular Activity	7,352	7,358	6,985	373
<b>Debt Service:</b>				
Principal	30,925	30,925	30,925	
Interest	5,033	5,033	5,033	
<b>Total Disbursements</b>	<b>8,573,128</b>	<b>8,595,643</b>	<b>7,850,543</b>	<b>745,100</b>
<b>Excess of Receipts (Under) Disbursements</b>	<b>(875,128)</b>	<b>(935,388)</b>	<b>(188,102)</b>	<b>747,286</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In			3,542	3,542
Advances In	1,000	1,000	1,000	
Proceeds from Sale of Capital Assets	605	605	86	(519)
Refund of Prior Year Disbursements	5,297	14,679	14,679	
Transfers Out	(59,300)	(57,500)	(24,411)	33,089
Advances Out	(23,250)	(20,750)	(2,017)	18,733
Refund of Prior Year Receipts		(1,800)	(1,800)	
<b>Total Other Financing Sources (Uses)</b>	<b>(75,648)</b>	<b>(63,766)</b>	<b>(8,921)</b>	<b>54,845</b>
Net Change in Fund Balances	(950,776)	(999,154)	(197,023)	802,131
Fund Balance at Beginning of Year	2,067,163	2,067,163	2,067,163	
Prior Year Encumbrances Appropriated	297,144	297,144	297,144	
<b>Fund Balance at End of Year</b>	<b>\$1,413,531</b>	<b>\$1,365,153</b>	<b>\$2,167,284</b>	<b>\$802,131</b>

*See accompanying notes to the basic financial statements.*

SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private</u> <u>Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$100,320	\$48,376
Total Assets	<u>100,320</u>	<u>48,376</u>
 <b>Net Assets:</b>		
Endowment	93,555	
<b>Held in Trust for:</b>		
Scholarships	6,765	
Students		48,376
Total Net Assets	<u>\$100,320</u>	<u>\$48,376</u>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Private Purpose Trust</b>
<b>Additions:</b>	
Gifts and Contributions	\$75
Interest	111
Miscellaneous	5,030
Total Additions	<u>5,216</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>12,900</u>
Change in Net Assets	(7,684)
Net Assets - Beginning of Year	<u>108,004</u>
Net Assets - End of Year	<u>\$100,320</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, 2010**

**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 40 non-certificated employees and 70 certificated full-time teaching personnel who provide services to 997 students and other community members. The School District currently operates one school building that encompasses the elementary, middle and high school as well as one administration building.

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 Spencerville Local 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:

The Spencerville Education Foundation, Inc. (The "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 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.

The School District is associated with five jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Career Center, the West Central Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., Spencerville, Perry, and Bath Local Professional Development Committee, the Allen County Schools Health Benefit Plan, and Sheakley Uniservice, Inc. These organizations are presented in Notes 14 and 15 to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. 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 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 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 expenditures (such as accounts payable and expenditures for goods or services received but not yet paid, and accrued expenditures and liabilities) are not recorded in the financial statements.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and entity-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

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

**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 and investment 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis of accounting or draws from the general receipts of the School District.

**2. Fund Financial Statements**

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

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

- a. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**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 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

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

**New Campus Building Fund** – The New Campus Building Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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

**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 net assets) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund, function, object level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

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

**2. Estimated Resources**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. The legal level of budgetary control selected by the Board is at the fund, function, object level.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund's appropriations must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year disbursements for governmental funds.

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**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, 2010  
(Continued)**

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

During fiscal year 2010, investments were limited to STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010.

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 2010 was \$6,617, which included \$2,856 assigned from other funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and instructional materials.

**G. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Inventory and Prepaid Items**

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

**I. Capital Assets**

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

**J. Accumulated Leave**

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 cash basis of accounting used by the School District.

**K. 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 are reported as disbursements.

**L. Equity Classifications**

**1. Government-Wide Statements**

Equity is classified as net assets and is displayed in separate components:

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**Restricted Net Assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. 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. At June 30, 2010, there were no net assets restricted by enabling legislation.

**Unrestricted Net Assets** – All other net assets that do not meet the definition of “restricted.”

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

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance. The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and textbooks and instructional materials. The designation for severance and termination benefits represent receipts set aside for severance and termination benefit payments to eligible employees.

**M. Intergovernmental Receipts**

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

**N. Interfund Activity**

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

**O. Receipts and Disbursements**

**1. 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, interest, operating and capital grants and contributions.

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**2. Disbursements**

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.

**3. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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;

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

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

3. Interim deposits in duly authorized depositories of the District, provided those deposits are properly insured or collateralized as required by law;
4. Bonds and other obligations of the State of Ohio;
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 investment in "derivatives");
6. The State Treasurer's Investment Pool (STAROhio);
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 the subdivisions, other than STAROhio and funds established to acquire, construct, lease or operate a municipal utility are not allowed. 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.

**A. 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 uninsured public deposits. The School District has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

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

As of June 30, 2010 the School District had \$150 in un-deposited 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 \$1,710,240, and the bank balance was \$977,130. The entire bank balance was covered by federal depository insurance.

**B. Investments**

Investments are reported at carrying value. As of June 30, 2010, the School District had the following investments:

	<b>Carrying Value</b>	<b>Investment Maturities (in years) 0-1</b>
STAROhio	\$2,664,751	\$2,664,751
Total Carrying Value	\$2,664,751	\$2,664,751

**C. 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 School District's investment portfolio to 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.

**D. Custodial Credit Risk**

Custodial credit risk is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments. 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."

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

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

**E. Credit Risk**

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

STAROhio carries a credit rating of AAA by Standard and Poor's at June 30, 2010.

**F. Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. More than 5 percent of the School District's investments are in STAROhio. These investments are 100 percent of the School District's total investments for the amounts listed above.

**5. PROPERTY TAXES**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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 District prior to June 30.

Property taxes are levied and assessed on a calendar year basis; while the School District's fiscal year end runs 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.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Allen, Auglaize and Van Wert Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

**5. PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$86,267,890	96%	\$89,744,840	96%
Public Utility	3,644,100	4	3,504,620	4
Total Assessed Value	\$89,911,990	100%	\$93,249,460	100%
Tax rate per \$1,000 of assessed valuation		\$36.79		\$35.30

**6. INCOME TAXES**

The School District renewed a tax levy of one percent for general operations on the income of residents and of estates. The renewed tax was effective on January 1, 2008, 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.

**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 2010, there were 10 students with a total outstanding principal balance of \$19,515. Of the balance, \$1,200 represents the portion that is collectable. The remaining \$18,315 is deferred until the students complete or leave 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 2010, the School District contracted with Ohio Casualty Company (through O'Conner-McLaughlin Insurance Company) for property and contents insurance. Property coverage amounted to \$41,628,000. The School District has a \$2,500 deductible on this coverage. Earthquake coverage is included (\$5 million).

General and professional liability is protected by Ohio Casualty Company, (through O'Connor-McLaughlin Insurance Company) with \$2,000,000 each occurrence and \$3,000,000 aggregate limit. There is a minimum \$2,500 deductible on errors and omissions coverage and no deductible general coverage.

Vehicles are covered by Ohio Casualty Company (through O'Connor-McLaughlin Ins. Co.) with a \$1,000 deductible on buses and \$500 deductible on other vehicles. 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. Replacement coverage option is included.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

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 \$10,000 dishonesty bond covering all employees who handle money. The dishonesty bond is provided by O'Conner McLaughlin Insurance Company from Western Surety Company.

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

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

**B. Workers' Compensation**

For fiscal year 2010, the School District participated in the Sheakley Uniservice, Inc. Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 15). 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.

**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. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. For fiscal year 2010, it was determined the employer contribution rate to pension and death benefits to be 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. 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 contribution to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$135,881, \$99,712, and \$95,515, respectively; 43 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, 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 divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member.

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. For fiscal year 2010, the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$494,922, \$504,166, and \$489,674, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$995 made by the School District and \$710 made by plan members.

**C. Social Security System**

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

The Board's liability is 6.2 percent of wages paid. As of June 30, 2010, four of the Board of Education members have elected Social Security.

**10. POST EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio ("STRS Ohio"), and to retired non-certified employees and their dependents through the School Employees Retirement System ("SERS"). Benefits include hospitalization, physicians' fees, prescription drugs and 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. Both systems are on a pay-as-you-go basis.

**A. School Employees Retirement System**

**Medicare Part B Plan**

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was 0.76 percent. The School District's contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$8,081, \$8,277, and \$6,882, which equaled the required contributions each year.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, the health care allocation was .46 percent.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge added, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$20,980, \$45,633, and \$43,587, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System**

State Teachers Retirement System of Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The School District's contributions for post employment health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$38,147, \$38,789, and \$37,667, respectively; 94 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

**11. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<b>Outstanding 6/30/2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding 6/30/2010</b>	<b>Due Within One Year</b>
Note Payable HB 264, 4.65%	\$123,700		\$ 30,925	\$ 92,775	\$ 30,925
2004 School Improvement Bonds					
Term, 3.3-5.125%	5,775,000		190,000	5,585,000	195,000
Capital Appreciation	151,991			151,991	
Capital Accretion	109,564	\$30,110		139,674	
Total Long-Term Obligations	<u>\$6,160,255</u>	<u>\$30,110</u>	<u>\$220,925</u>	<u>\$5,969,440</u>	<u>\$225,925</u>

**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, 2010, are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$30,925	\$3,595	\$34,520
2012	30,925	2,157	33,082
2013	30,925	719	31,644
Total	<u>\$92,775</u>	<u>\$6,471</u>	<u>\$99,246</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 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 2010, the accretion for the Capital Appreciation bonds was \$30,110 for an accreted value of \$291,665 at June 30, 2010. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire the bonds at June 30, 2010 are as follows:

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

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

Fiscal Year Ending June 30,	Term Bonds	Capital Bonds	Total Bonds	Interest/ Accretion	Total
2011	\$ 195,000		\$ 195,000	\$ 263,862	\$ 458,862
2012	200,000		200,000	256,453	456,453
2013	210,000		210,000	248,853	458,853
2014	220,000		220,000	240,452	460,452
2015	225,000		225,000	231,652	456,652
2016-2020	735,000	\$106,699	841,699	1,452,331	2,294,030
2021-2025	1,150,000	45,292	1,195,292	1,099,095	2,294,387
2026-2030	1,795,000		1,795,000	503,231	2,298,231
2031-2032	855,000		855,000	66,369	921,369
Total	<u>\$5,585,000</u>	<u>\$151,991</u>	<u>\$5,736,991</u>	<u>\$4,362,298</u>	<u>\$10,099,289</u>

**12. INTERFUND ACTIVITIES**

During fiscal year 2010, the following transfers in and out occurred:

Fund	Transfers In	Transfers Out
General Fund	\$ 3,542	\$24,411
All Other Governmental		
Termination Benefits/Local Fund	24,411	
Title II – A		3,542
Total All Other Governmental	<u>24,411</u>	<u>3,542</u>
Total All	<u>\$27,953</u>	<u>\$27,953</u>

Transfers of \$24,411 from the General Fund were made to move unrestricted balances to support future expenditures for severance. 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. The transfer from Title II-A was the return of monies provided by the General Fund in the previous fiscal year.

A short term advance was made from the General Fund to the Title II-D Fund for \$1,017 to cover disbursements made while awaiting reimbursement from the granting authority.

**13. 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, 2010, the reserve activity was as follows:

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**13. STATUTORY RESERVES (Continued)**

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>
Carryover Balance, June 30, 2009	\$363,943	
Required Set-Aside	165,444	\$165,444
Qualifying Disbursements	(88,612)	(64,767)
Current Year Offsets		(100,677)
Balance June 30, 2010	<hr/> 440,775 <hr/>	<hr/> \$ 0 <hr/>
Balance Carried Forward to FY11	<hr/> <hr/> <hr/> <hr/> <hr/>	

The textbook balance must be set-aside for the purchase of textbook and related materials in future years.

**14. 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 which provides vocational education to students 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 (The “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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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, Perry, and Bath Local Professional Development Committee (The Committee)** – The Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each District, along with two administrators from the member Districts chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the Districts and used for the renewal of certificates and licenses. As of June 30, 2010, there was no financial information available for this Committee.

**15. 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 Benefit 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 Allied Benefit Systems. 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.

**16. OPERATING LEASES**

The School District is obligated under an operating lease agreement with Perry Corporation for copiers for a period of 5 years beginning June 17, 2009. The minimum requirement of the lease is 2,390,800 copies in each 12 month period at \$0.0112 per black and white copy and \$0.08 per color copy, for a total of 11,880,000 copies per lease. During fiscal year 2010, \$29,155 was paid on this lease. The School District is also obligated under a 36 month operating lease agreement with Hasler Mailing Systems for a postage meter that began November 28, 2007. Total lease payments to Hasler Mailing Systems during fiscal year 2010 were \$588.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**  
**(Continued)**

**16. OPERATING LEASES (Continued)**

The estimated future lease payments are as follows:

<b>Year Ending June 30,</b>	<b>Copier Lease</b>	<b>Postage Meter</b>
2011	\$33,941	\$588
2012	33,941	
2013	33,941	
2014	33,941	
	<hr/> <u>\$35,764</u>	<hr/> <u>\$588</u>

**17. 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, 2010.

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Receipts</b>	<b>Non-Cash Receipts</b>	<b>Non-Cash Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
Non-Cash Assistance (Food Distribution):					
School Breakfast Program	10.553		\$5,966		\$5,966
National School Lunch Program	10.555		92,007		92,007
Total Non-Cash Assistance			97,973		97,973
Cash Assistance:					
School Breakfast Program	10.553	\$24,777		\$24,777	
National School Lunch Program	10.555	163,510		163,510	
Total Cash Assistance		188,287		188,287	
Total Child Nutrition Cluster		188,287	97,973	188,287	97,973
Total U.S. Department of Agriculture		188,287	97,973	188,287	97,973
<b>U.S. DEPARTMENT OF EDUCATION</b>					
(Passed through Ohio Department of Education)					
Title I Cluster					
Title I, Grants to Local Educational Agencies	84.010	126,783		127,123	
<b>ARRA</b> Title I, Grants to Local Educational Agencies - Recovery Act	84.389	63,539		60,657	
Total Title I Cluster		190,322		187,780	
Special Education Cluster					
Special Education Grants to States	84.027	177,408		177,072	
<b>ARRA</b> Special Education Grants to States - Recovery Act	84.391	101,397		87,905	
Total Special Education Cluster		278,805		264,977	
Career and Technical Education - Basic Grants to States	84.048	1,368		1,368	
Safe and Drug-Free Schools and Communities State Grants	84.186	1,902		1,919	
State Grants for Innovative Programs	84.298	197			
Education Technology State Grants	84.318	1,169		2,303	
Improving Teacher Quality State Grants	84.367	49,041		49,088	
<b>ARRA</b> State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	283,249		263,418	
Total U.S. Department of Education		806,053		770,853	
Total Federal Assistance		\$994,340	\$97,973	\$959,140	\$97,973

*See accompanying notes to the schedule of federal awards receipts and expenditures.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# 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 Spencerville Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 16, 2010, wherein we noted the School District uses a comprehensive accounting basis 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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

**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 or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated November 16, 2010.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 16, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 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 could directly and materially affect Spencerville's major federal program for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 Spencerville Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2010.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Spencerville Local School District  
Allen County  
Independent Accountants' Report on Compliance With Requirements  
Applicable to Major Federal Programs and on Internal Control Over  
Compliance Required by OMB Circular A-133  
Page 2

**Internal Control Over Compliance  
(Continued)**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance or 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 November 16, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

November 16, 2010

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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):	Special Education Grants to States – CFDA #84.027 Special Education Grants to States – CFDA #84.391
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation**

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

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

The School District County should prepare its financial statements according to generally accepted accounting principles to provide any user with more meaningful and useful financial statements.

**OFFICIALS' RESPONSE:**

The Board in an official action #4-09-39 approved the return to reporting on a cash basis/GASB 34 format and recognized that a State Auditor's opinion would be issued and a fine would be therefore assessed. The Board also contracted with Rea & Associates, Inc. for compilation of these cash basis financial reports. Consideration of the State Auditor's finding will be considered for future reporting.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	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 2010-001
2009-002	Ohio Department of Education Comprehensive Continuous Improvement Plan (CCIP), 2009, Assurance number 6 – not filing a Final Expenditure Report within the required time.	No	Reported in a separate letter to management of the School District.

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# 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  
DECEMBER 21, 2010**