



Mary Taylor, CPA
Auditor of State

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County, (the District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County, as of June 30, 2007, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The 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. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 12, 2008

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The management's discussion and analysis of the Indian Lake Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2007, within the limitations of the District's modified cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the modified cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- The total net cash assets of the District increased \$18,955,246 or 275.36% from fiscal year 2006.
- General cash receipts accounted for \$57,731,263 or 94.98% of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,052,248 or 5.02% of total governmental activities cash receipts.
- The District had \$41,828,265 in cash disbursements related to governmental activities; \$3,052,248 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts of \$57,731,263 were adequate to provide for these programs.
- The District's major funds are the General Fund, the Bond Retirement Fund and the Building Fund. The General Fund, had cash receipts of \$15,595,072 in 2007. The cash disbursements and other financing uses of the General Fund, totaled \$15,514,702 in 2007. The General Fund's cash balance increased \$80,370 from 2006 to 2007.
- The Bond Retirement Fund, a District major fund, had cash receipts and other financing sources of \$24,076,624 in 2007. The Bond Retirement Fund had cash disbursements and other financing uses of \$23,871,547 in 2007. The Bond Retirement Fund cash balance increased \$205,077 from 2006 to 2007.
- The Building Fund, a District major fund, had cash receipts and other financing sources of \$18,927,000 in 2007. The Building Fund had cash disbursements of \$285,926 in 2007. The Building Fund was established during fiscal year 2007 to account for the issuance of bonds to finance the construction and improvement of school buildings.

Using this Cash Basis Basic Financial Statements (BFS)

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

The Statement of Net Assets – Modified Cash Basis and Statement of Activities – Modified Cash Basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, there are three major governmental funds.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis answer the question, “How did we do financially during 2007?” These statements include *only net assets* using the *modified cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the District’s net assets and changes in those assets on a modified cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

In the Statement of Activities – Modified Cash Basis, the Governmental Activities include District’s programs and services including instruction, support services, extracurricular activities, and food service operations.

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

Reporting the District’s Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds. The District’s major governmental funds are the General Fund, Bond Retirement Fund and Building Fund. The analysis of the District’s major governmental funds begins on page 8.

Governmental Funds

Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be readily spent to finance various District programs.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Since the District is reporting on the modified cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

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

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-42 of this report.

Government-Wide Financial Analysis

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

The table below provides a summary of the District's net cash assets for 2007 and 2006.

| | Net Cash Assets | |
|---|---|---|
| | Governmental Activities 2007 | Governmental Activities 2006 |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$8,237,995 | \$6,883,730 |
| Investments | 17,600,981 | |
| Total Assets | 25,838,976 | 6,883,730 |
| Net Assets | | |
| Restricted | 22,475,361 | 3,600,485 |
| Unrestricted | 3,363,615 | 3,283,245 |
| Total Net Assets | \$25,838,976 | \$6,883,730 |

The total net cash assets of the District increased \$18,955,246, which represents a 275.36% increase over fiscal year 2006. This significant increase in net assets is a result of bonds and notes issued during fiscal year 2007 to finance an Elementary School building project and refunding bonds.

The balance of government-wide unrestricted net cash assets of \$3,363,615 may be used to meet the government's ongoing obligations to citizens and creditors.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

The table below shows the changes in net cash assets for fiscal year 2007 and 2006.

| | <u>Change in Net Cash Assets</u> | |
|---|---|---|
| | <u>Governmental Activities 2007</u> | <u>Governmental Activities 2006</u> |
| Cash Receipts: | | |
| Program Cash Receipts: | | |
| Charges for Services and Sales | \$1,303,642 | \$1,355,138 |
| Operating Grants and Contributions | 1,748,606 | 1,522,904 |
| Total Program Cash Receipts | <u>3,052,248</u> | <u>2,878,042</u> |
| General Cash Receipts: | | |
| Property and Other Taxes | 9,754,433 | 9,551,246 |
| Unrestricted Grants | 6,040,182 | 6,072,085 |
| Sale of Notes | 22,000,000 | |
| Sale of Bonds | 18,001,887 | |
| Premium on Debt | 719,015 | |
| Investment Earnings | 974,990 | 290,824 |
| Miscellaneous | 240,756 | 336,414 |
| Total General Cash Receipts | <u>57,731,263</u> | <u>16,250,569</u> |
| Total Cash Receipts | <u><u>\$60,783,511</u></u> | <u><u>\$19,128,611</u></u> |
| Cash Disbursements: | | |
| Instruction: | | |
| Regular | \$6,946,350 | \$6,833,720 |
| Special | 1,910,816 | 1,749,796 |
| Vocational | 364,438 | 376,729 |
| Other | 1,004,112 | 939,778 |
| Support services: | | |
| Pupil | 554,696 | 584,463 |
| Instructional Staff | 876,420 | 892,010 |
| Board of Education | 37,590 | 14,257 |
| Administration | 1,339,199 | 1,294,743 |
| Fiscal | 470,022 | 456,314 |
| Operations and Maintenance | 1,330,918 | 1,376,375 |
| Pupil Transportation | 1,202,327 | 1,109,842 |
| Central | 349,380 | 315,239 |
| Operation of Non Instruction | 20,639 | 34,178 |
| Food Service Operations | 719,353 | 672,393 |
| Extracurricular | 553,282 | 578,684 |
| Facilities Acquisition and Construction | 313,754 | 226,811 |
| Debt Service: | | |
| Principal Retirement | 19,202,000 | 767,000 |
| Interest and Fiscal Charges | 912,067 | 541,681 |
| Payment to Refunded Bond Escrow | 3,482,286 | |
| Bond Issuance Costs | 238,616 | |
| Total Cash Disbursements | <u><u>\$41,828,265</u></u> | <u><u>\$18,764,013</u></u> |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

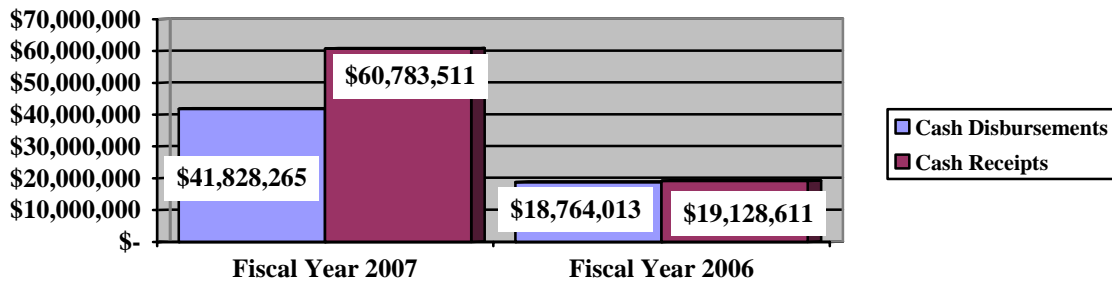
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Governmental Activities

Governmental cash assets increased by \$18,955,246 in 2007 from 2006. Total governmental expenses of \$41,828,265 were offset by program revenues of \$3,052,248 and general revenues of \$57,731,263. Program revenues supported 7.30% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 25.99% of total governmental revenue. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



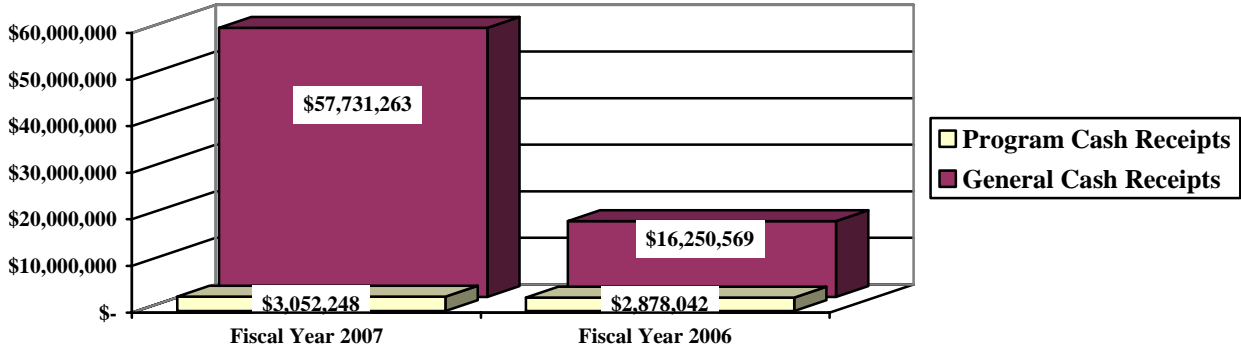
| | Governmental Activities | | | |
|---|--|--------------------------------------|--|--------------------------------------|
| | Total Cost of Services 2007 | Net Cost of Services 2007 | Total Cost of Services 2006 | Net Cost of Services 2006 |
| Cash Disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$ 6,946,350 | \$ 6,116,635 | \$ 6,833,720 | \$ 5,886,331 |
| Special | 1,910,816 | 1,131,569 | 1,749,796 | 1,281,736 |
| Vocational | 364,438 | 332,374 | 376,729 | 376,729 |
| Other | 1,004,112 | 937,315 | 939,778 | 872,980 |
| Support Services: | | | | |
| Pupil | 554,696 | 383,283 | 584,463 | 352,909 |
| Instructional Staff | 876,420 | 738,328 | 892,010 | 707,756 |
| Board of Education | 37,590 | 37,590 | 14,257 | 14,257 |
| Administration | 1,339,199 | 1,250,168 | 1,294,743 | 1,195,386 |
| Fiscal | 470,022 | 470,022 | 456,314 | 456,314 |
| Operations and Maintenance | 1,330,918 | 1,325,430 | 1,376,375 | 1,356,852 |
| Pupil Transportation | 1,202,327 | 1,168,966 | 1,109,842 | 1,108,408 |
| Central | 349,380 | 331,063 | 315,239 | 296,698 |
| Operation of Non Instruction | 20,639 | 20,345 | 34,178 | 28,003 |
| Food Service Operations | 719,353 | 33,587 | 672,393 | 26,173 |
| Extracurricular | 553,282 | 350,619 | 578,684 | 389,947 |
| Facilities Acquisition and Construction | 313,754 | 313,754 | 226,811 | 226,811 |
| Debt Service: | | | | |
| Principal Retirement | 19,202,000 | 19,202,000 | 767,000 | 767,000 |
| Interest and Fiscal Charges | 912,067 | 912,067 | 541,681 | 541,681 |
| Bond Issuance Costs | 238,616 | 238,616 | | |
| Payment to Refunded Bond Escrow | 3,482,286 | 3,482,286 | | |
| Total | \$41,828,265 | \$38,776,017 | \$18,764,013 | \$15,885,971 |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

The dependence upon general cash receipts for governmental activities is apparent; with 92.70% of cash disbursements supported through taxes and other general cash receipts during 2007.

Governmental Activities – General and Program Cash Receipts



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund cash balance of \$25,838,976, which is \$18,955,246 above last year's total of \$6,883,730. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2007 and June 30, 2006, for all major and non-major governmental funds.

| | <u>Fund Cash Balance June 30, 2007</u> | <u>Fund Cash Balance June 30, 2006</u> | <u>Increase (Decrease)</u> |
|------------------------------------|--|--|--------------------------------|
| Major Funds: | | | |
| General | \$3,363,615 | \$3,283,245 | \$80,370 |
| Bond Retirement | 1,415,622 | 1,210,545 | 205,077 |
| Building | 18,641,074 | | 18,641,074 |
| Other Non-major Governmental Funds | 2,418,665 | 2,389,940 | 28,725 |
| Total | <u>\$25,838,976</u> | <u>\$6,883,730</u> | <u>\$18,955,246</u> |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

General Fund

The General Fund, had cash receipts of \$15,595,072 in 2007. The cash disbursements and other financing uses of the General Fund, totaled \$15,514,702 in 2007. The General Fund's cash balance increased \$80,370 from 2006 to 2007.

The table that follows assists in illustrating the cash receipts of the General Fund.

| | 2007 Amount | 2006 Amount | Percentage Change |
|---------------------------|----------------------------|----------------------------|------------------------------|
| Cash Receipts: | | | |
| Taxes | \$8,149,647 | \$8,534,391 | (4.51) % |
| Tuition | 629,235 | 666,263 | (5.56) % |
| Transportation Fees | | 120 | (100.00) % |
| Earnings on Investments | 547,990 | 290,824 | 88.43 % |
| Other Local Revenues | 56,885 | 45,758 | 24.32 % |
| Intergovernmental - State | 6,211,315 | 5,948,467 | 4.42 % |
| Total | <u>\$15,595,072</u> | <u>\$15,485,823</u> | 0.71 % |

Investment income cash receipts increased due to higher interest earning investments. Although the percentage increase of other local revenues was significant, the actual dollar amount of increase was not significant. All other revenue remained comparable to 2006.

The table that follows assists in illustrating the expenditures of the General Fund.

| | 2007 Amount | 2006 Amount | Percentage Change |
|---------------------------------------|----------------------------|----------------------------|------------------------------|
| Cash Disbursements | | | |
| Instruction | \$9,437,078 | \$9,134,006 | 3.32 % |
| Support Services | 5,339,031 | 5,525,476 | (3.37) % |
| Operation of Non-Instruction Services | 560 | 30,053 | (98.14) % |
| Extracurricular | 360,697 | 364,615 | (1.07) % |
| Total | <u>\$15,137,366</u> | <u>\$15,054,150</u> | 0.55 % |

Cash disbursements remained comparable to 2006. Overall, cash disbursements increased \$83,216 from 2006.

Bond Retirement Fund

The Bond Retirement Fund, a District major fund, had cash receipts and other financing sources of \$24,076,624 in 2007. The Bond Retirement Fund had cash disbursements and other financing uses of \$23,871,547 in 2007. The Bond Retirement fund cash balance increased \$205,077 from 2006 to 2007.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Building Fund

The Building Fund, a District major fund, had cash receipts and other financing sources of \$18,927,000 in 2007. The Building Fund had cash disbursements of \$285,926 in 2007.

Budgeting Highlights – General Fund

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, final budget basis receipts and other sources were \$329,289 above original budget estimates of \$15,348,704. Actual cash receipts of \$15,628,383 were less than final budget estimates by \$49,610. The final budgetary basis disbursements and other financing uses of \$16,028,870 were \$291,399 below original budget estimates.

The actual budgetary basis disbursements and other financing uses of \$15,583,582 were \$445,288 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying modified cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$313,754 during fiscal year 2007.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2007 and 2006:

| | Governmental Activities 2007 | Governmental Activities 2006 |
|---|---|---|
| | <u>2007</u> | <u>2006</u> |
| 2007 Advance Refunding Bonds | \$17,380,000 | |
| 2007 Capital Appreciation Bonds | 621,887 | |
| 2005 Advance Refunding Bonds | 7,625,000 | \$7,755,000 |
| 2005 Capital Appreciation Bonds | 419,990 | 419,990 |
| 1998 Construction and Improvement Bonds | 420,000 | 3,945,000 |
| 1998 Capital Appreciation Bonds | 149,613 | 149,613 |
| 1996 Construction and Improvement Bonds | | 350,000 |
| 1996 Capital Appreciation Bonds | 979,877 | 979,877 |
| School Bus Bonds | | 32,000 |
| | <u>2007</u> | <u>2006</u> |
| Total long-term obligations | <u>\$27,596,367</u> | <u>\$13,631,480</u> |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Current Financial Related Activities

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Coleen Repogle, Treasurer, Indian Lake Local School District, 6210 St. Rt. 235 North, Lewistown, OH 43333.

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**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2007**

| | <u>Governmental Activities</u> |
|--|---|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$8,237,995 |
| Investments | 17,600,981 |
| Total Assets | <u><u>25,838,976</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Capital Projects | 20,215,992 |
| Debt Service | 1,415,622 |
| Other Purposes | 284,046 |
| Termination Benefits | 559,701 |
| Unrestricted | <u>3,363,615</u> |
| Total Net Assets | <u><u>\$25,838,976</u></u> |

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | <u>Program Cash Receipts</u> | | | <u>Net (Disbursements) Receipts and Changes in Net Assets</u> |
|---|-------------------------------|---|---|---|
| | <u>Cash Disbursements</u> | <u>Charges for Services and Sales</u> | <u>Operating Grants, Contributions and Interest</u> | <u>Total</u> |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$6,946,350 | \$706,954 | \$122,761 | (\$6,116,635) |
| Special | 1,910,816 | | 779,247 | (1,131,569) |
| Vocational | 364,438 | | 32,064 | (332,374) |
| Other | 1,004,112 | | 66,797 | (937,315) |
| Support Services: | | | | |
| Pupil | 554,696 | | 171,413 | (383,283) |
| Instructional Staff | 876,420 | 3,820 | 134,272 | (738,328) |
| Board of Education | 37,590 | | | (37,590) |
| Administration | 1,339,199 | 1,121 | 87,910 | (1,250,168) |
| Fiscal | 470,022 | | | (470,022) |
| Operations and Maintenance | 1,330,918 | | 5,488 | (1,325,430) |
| Pupil Transportation | 1,202,327 | 4,536 | 28,825 | (1,168,966) |
| Central | 349,380 | | 18,317 | (331,063) |
| Operation of Non-Instructional Services | 20,639 | 294 | | (20,345) |
| Food Service Operations | 719,353 | 409,254 | 276,512 | (33,587) |
| Extracurricular | 553,282 | 177,663 | 25,000 | (350,619) |
| Facilities Acquisition and Construction | 313,754 | | | (313,754) |
| Debt Service | | | | |
| Principal Retirement | 19,202,000 | | | (19,202,000) |
| Interest and Fiscal Charges | 912,067 | | | (912,067) |
| Bond Issuance Costs | 238,616 | | | (238,616) |
| Payment to Refunded Bond Escrow Agent | 3,482,286 | | | (3,482,286) |
| Total Governmental Activities | <u>\$41,828,265</u> | <u>\$1,303,642</u> | <u>\$1,748,606</u> | <u>(\$38,776,017)</u> |
| General Receipts | | | | |
| Property and Other Taxes Levied for: | | | | |
| General Purposes | | | | 8,149,647 |
| Debt Service | | | | 1,604,786 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 6,040,182 |
| Premium on Bonds | | | | 719,015 |
| Sale of Notes | | | | 22,000,000 |
| Sale of Bonds | | | | 18,001,887 |
| Investment Earnings | | | | 974,990 |
| Miscellaneous | | | | 240,756 |
| | | | | <u>57,731,263</u> |
| | | | | 18,955,246 |
| | | | | <u>6,883,730</u> |
| | | | | <u>\$25,838,976</u> |

See accompanying notes to the basic financial statements.

INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY

STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007

| | <u>General Fund</u> | <u>Bond Retirement Fund</u> | <u>Building Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------------|--------------------------|---|---|
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$3,363,615 | \$1,415,622 | \$1,040,093 | \$2,418,665 | \$8,237,995 |
| Investments | | | 17,600,981 | | 17,600,981 |
| Total Assets | <u>3,363,615</u> | <u>1,415,622</u> | <u>18,641,074</u> | <u>2,418,665</u> | <u>25,838,976</u> |
| | | | | | |
| Fund Balances | | | | | |
| Reserved for Encumbrances | 35,569 | | 1,207,001 | 8,563 | 1,251,133 |
| Reserved for Debt Service | | 1,415,622 | | | 1,415,622 |
| Unreserved: | | | | | |
| Designated for Termination Benefits | | | | 559,701 | 559,701 |
| Designated for Capital Improvements | | | | 1,113,172 | 1,113,172 |
| Undesignated, Reported in: | | | | | |
| General Fund | 3,328,046 | | | | 3,328,046 |
| Special Revenue Funds | | | | 281,803 | 281,803 |
| Capital Projects Funds | | | 17,434,073 | 455,426 | 17,889,499 |
| Total Fund Balances | <u>\$3,363,615</u> | <u>\$1,415,622</u> | <u>\$18,641,074</u> | <u>\$2,418,665</u> | <u>\$25,838,976</u> |

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | General Fund | Bond Retirement Fund | Building Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|---------------------------------|--------------------------|---|---|
| Cash Receipts | | | | | |
| From Local Sources: | | | | | |
| Property Taxes | \$8,149,647 | \$1,604,786 | | | \$9,754,433 |
| Tuition | 629,235 | | | | 629,235 |
| Investment Earnings | 547,990 | | \$427,000 | | 974,990 |
| Charges for Services | | | | \$409,254 | 409,254 |
| Extracurricular Activities | | | | 180,884 | 180,884 |
| Classroom Materials and Fees | 28,801 | | | 54,153 | 82,954 |
| Other Local Revenues | 28,084 | 16,474 | | 222,513 | 267,071 |
| Intergovernmental - State | 6,211,315 | 200,702 | | 128,199 | 6,540,216 |
| Intergovernmental - Federal | | | | 1,223,572 | 1,223,572 |
| Total Cash Receipts | <u>15,595,072</u> | <u>1,821,962</u> | <u>427,000</u> | <u>2,218,575</u> | <u>20,062,609</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Instruction | | | | | |
| Regular | 6,694,860 | | | 251,490 | 6,946,350 |
| Special | 1,440,465 | | | 470,351 | 1,910,816 |
| Vocational | 364,438 | | | | 364,438 |
| Other | 937,315 | | | 66,797 | 1,004,112 |
| Support Services | | | | | |
| Pupil | 379,273 | | | 175,423 | 554,696 |
| Instructional Staff | 731,469 | | | 144,951 | 876,420 |
| Board of Education | 37,590 | | | | 37,590 |
| Administration | 1,243,024 | | | 96,175 | 1,339,199 |
| Fiscal | 433,444 | 36,578 | | | 470,022 |
| Operations and Maintenance | 1,265,069 | | | 65,849 | 1,330,918 |
| Pupil Transportation | 922,770 | | | 279,557 | 1,202,327 |
| Central | 326,392 | | | 22,988 | 349,380 |
| Operation of Non-Instructional Services | 560 | | | 20,079 | 20,639 |
| Food Service Operations | | | | 719,353 | 719,353 |
| Extracurricular | 360,697 | | | 192,585 | 553,282 |
| Facilities Acquisition and Construction | | | 285,926 | 27,828 | 313,754 |
| Debt Service: | | | | | |
| Principal Retirement | | 19,202,000 | | | 19,202,000 |
| Interest and Fiscal Charges | | 912,067 | | | 912,067 |
| Bond Issuance Costs | | 238,616 | | | 238,616 |
| Total Cash Disbursements | <u>15,137,366</u> | <u>20,389,261</u> | <u>285,926</u> | <u>2,533,426</u> | <u>38,345,979</u> |
| Excess of Receipts Over (Under) Disbursements | 457,706 | (18,567,299) | 141,074 | (314,851) | (18,283,370) |
| Other Financing Sources (Uses) | | | | | |
| Sale of Notes | | 3,500,000 | 18,500,000 | | 22,000,000 |
| Sale of Bonds | | 18,001,887 | | | 18,001,887 |
| Premium on Bonds | | 719,015 | | | 719,015 |
| Payment to Refunded Bond Escrow Agent | | (3,482,286) | | | (3,482,286) |
| Advances In | | | | 27,122 | 27,122 |
| Advances Out | (27,122) | | | | (27,122) |
| Transfers-In | | 33,760 | | 316,454 | 350,214 |
| Transfers-Out | (350,214) | | | | (350,214) |
| Total Other Financing Sources (Uses) | <u>(377,336)</u> | <u>18,772,376</u> | <u>18,500,000</u> | <u>343,576</u> | <u>37,238,616</u> |
| Net Change in Fund Balances | 80,370 | 205,077 | 18,641,074 | 28,725 | 18,955,246 |
| Fund Balances - Beginning of Year | 3,283,245 | 1,210,545 | | 2,389,940 | 6,883,730 |
| Fund Balances - End of Year | <u>\$3,363,615</u> | <u>\$1,415,622</u> | <u>\$18,641,074</u> | <u>\$2,418,665</u> | <u>\$25,838,976</u> |

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|--------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property Taxes | \$7,980,493 | \$8,151,704 | \$8,149,647 | (\$2,057) |
| Tuition | 619,866 | 633,165 | 629,235 | (3,930) |
| Investment Earnings | 553,133 | 565,000 | 547,990 | (17,010) |
| Classroom Materials and Fees | 26,433 | 27,000 | 28,801 | 1,801 |
| Other | 31,738 | 32,419 | 28,084 | (4,335) |
| Intergovernmental - State | 6,087,787 | 6,218,394 | 6,211,315 | (7,079) |
| Total Receipts | <u>15,299,450</u> | <u>15,627,682</u> | <u>15,595,072</u> | <u>(32,610)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular | 6,928,697 | 6,804,984 | 6,694,900 | 110,084 |
| Special | 1,485,257 | 1,458,738 | 1,453,044 | 5,694 |
| Vocational | 373,051 | 366,390 | 364,438 | 1,952 |
| Other | 974,427 | 957,029 | 939,187 | 17,842 |
| Support Services | | | | |
| Pupil | 393,991 | 386,956 | 379,273 | 7,683 |
| Instructional Staff | 758,942 | 745,391 | 731,469 | 13,922 |
| Board of Education | 40,517 | 39,794 | 37,590 | 2,204 |
| Administration | 1,291,684 | 1,268,621 | 1,248,514 | 20,107 |
| Fiscal | 464,902 | 456,601 | 434,923 | 21,678 |
| Operations and Maintenance | 1,377,524 | 1,352,928 | 1,279,058 | 73,870 |
| Pupil Transportation | 950,149 | 933,184 | 922,770 | 10,414 |
| Central | 344,438 | 338,288 | 326,512 | 11,776 |
| Operation of Non Instructional Services | 1,069 | 1,050 | 560 | 490 |
| Extracurricular | 369,873 | 363,269 | 360,697 | 2,572 |
| Facilities Acquisition and Construction | 147,636 | 145,000 | | 145,000 |
| Total Disbursements | <u>15,902,157</u> | <u>15,618,223</u> | <u>15,172,935</u> | <u>445,288</u> |
| Excess of Receipts Over (Under) Disbursements | (602,707) | 9,459 | 422,137 | 412,678 |
| Other Financing Sources (Uses) | | | | |
| Transfers-In | 3,241 | 3,311 | 3,311 | |
| Transfers-Out | (359,952) | (353,525) | (353,525) | |
| Advances-In | 46,013 | 47,000 | 30,000 | (17,000) |
| Advances-Out | (58,160) | (57,122) | (57,122) | |
| Total Other Financing Sources (Uses) | <u>(368,858)</u> | <u>(360,336)</u> | <u>(377,336)</u> | <u>(17,000)</u> |
| Net Change in Fund Balances | (971,565) | (350,877) | 44,801 | 395,678 |
| Fund Balance - Beginning of Year | 3,247,138 | 3,247,138 | 3,247,138 | |
| Prior Year Encumbrances Appropriated | <u>36,107</u> | <u>36,107</u> | <u>36,107</u> | |
| Fund Balance - End of Year | <u>\$2,311,680</u> | <u>\$2,932,368</u> | <u>\$3,328,046</u> | <u>\$395,678</u> |

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007**

| | <u>Private Purpose Trust</u> | <u>Agency</u> |
|--|----------------------------------|------------------|
| Assets | | |
| Equity Pooled in Cash and Cash Equivalents | \$19,347 | \$103,428 |
| Total Assets | <u>19,347</u> | <u>103,428</u> |
| | | |
| Net Assets | | |
| Held in Trust for Scholarships | 19,347 | |
| Held for Student Activities | | 103,428 |
| Total Net Assets | <u>\$19,347</u> | <u>\$103,428</u> |

See accompanying notes to the basic financial statements.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | <u>Private Purpose Trust</u> |
|--------------------------------|----------------------------------|
| Additions | |
| Investment Income | \$938 |
| Gifts and Contributions | 1,183 |
| Total Additions | <u>2,121</u> |
| | |
| Deductions | |
| Scholarships Awarded | <u>2,346</u> |
| Total Deductions | <u>2,346</u> |
| | |
| Change in Net Assets | (225) |
| | |
| Net Assets - Beginning of Year | <u>19,572</u> |
| | |
| Net Assets - End of Year | <u><u>\$19,347</u></u> |

See accompanying notes to the basic financial statements.

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**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 110 square miles. It is located in Logan County, and includes all of the Village of Russells Point, Village of Lakeview, and Village of Huntsville. The District is the 276th largest in the State of Ohio (among 614 school districts) in terms of enrollment. It is staffed by 91 non-certificated employees, 142 certificated full-time teaching personnel, and 10 administrative employees who provide services to 1,931 students and community members. The District currently operates two elementary school buildings, one middle school building, and one comprehensive high school building, which includes the administrative offices, and one bus garage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

1. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO)

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

Ohio Hi-Point Joint Vocational School

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

Metropolitan Educational Council

The Metropolitan Education Council (MEC) is a purchasing cooperative made up a nearly 124 Districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

West Central Ohio Special Education Regional Resource Center (SERRC)

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

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Margaret Grim, Treasurer, at the Auglaize County Educational Service Center, 1045 Dearbaugh Ave., Suite 2, Wapakoneta, Ohio 45895.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Logan County Education Foundation

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

2. Insurance Purchasing Pools

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

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

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

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

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

Logan County School Benefit Plan Association

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Related Organization

Logan County District Library

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

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the modified-cash basis of accounting. The modified-cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

C. Fund Accounting

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

1. Governmental Funds

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

General Fund

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Retirement Fund

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

Building Fund

The building fund is used to account for financial resources to be used for the construction and improvement of school facilities.

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

2. Fiduciary Funds

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

D. Basis of Presentation

1. Government-wide Financial Statements

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the general receipts of the District.

2. Fund Financial Statements

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

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

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

1. Tax Budget

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

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificate issued during fiscal year 2007.

3. Appropriations

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

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

F. Cash and Investments

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

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve (STAR Ohio) and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rue 2a7 of the Investment Company act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$547,990, which includes \$351,407 assigned from other funds.

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

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

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement healthcare.

K. Fund Cash Balance Reserves

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

L. Net Cash Assets

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

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments. The District had no assets restricted by enabling legislation at June 30, 2007.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

3. ACCOUNTABILITY AND COMPLIANCE

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

4. DEPOSITS AND INVESTMENTS

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

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

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

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.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, or legal governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$5,688,774. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$5,705,957 of the District's bank balance of \$6,005,957 was exposed to custodial risk as discussed below, while \$300,000 was covered by Federal Deposit Insurance Corporation.

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

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

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Balance at Fair Value</u> | <u>Investment Maturities</u> | | | | |
|------------------------|------------------------------|------------------------------|-----------------------|------------------------|------------------------|-------------------------------|
| | | <u>6 months or less</u> | <u>7 to 12 months</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>Greater than 24 months</u> |
| STAR Ohio | \$2,671,771 | \$2,671,771 | | | | |
| FHLB | 7,727,586 | | \$312,350 | \$4,297,064 | \$1,827,770 | \$1,290,402 |
| FHLMC | 4,571,865 | | 907,273 | 927,836 | 2,736,756 | |
| FNMA | 4,385,330 | | 912,209 | 907,502 | 939,908 | 1,625,711 |
| FFCB | 916,200 | | | | 916,200 | |
| | <u>\$20,272,752</u> | <u>\$2,671,771</u> | <u>\$2,131,832</u> | <u>\$6,132,402</u> | <u>\$6,420,634</u> | <u>\$2,916,113</u> |

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

Credit Risk: The District's investments, as discussed above and STAR Ohio, were rated AAA by Standard & Poor's and Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAA money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|------------------------|---------------------|-------------------|
| STAR Ohio | \$ 2,671,771 | 13.18 |
| FHLB | 7,727,586 | 38.12 |
| FHLMC | 4,571,865 | 22.55 |
| FNMA | 4,385,330 | 21.63 |
| FFCB | 916,200 | 4.52 |
| | <u>\$20,272,752</u> | <u>100.00</u> |

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2007:

| | |
|---|---------------------|
| Cash per footnote | |
| Carrying amount of deposits | \$ 5,688,774 |
| Investments | 20,272,752 |
| Cash on hand | 225 |
| Total | <u>\$25,961,751</u> |
| Cash per Statement of Net Assets | |
| Governmental activities | \$25,838,976 |
| Private – purpose trust funds | 19,347 |
| Agency funds | 103,428 |
| Total | <u>\$25,961,751</u> |

5. INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

| | |
|--|------------------|
| Transfers from General Fund to: | |
| Bond Retirement Fund | \$ 33,760 |
| Non-major Governmental Funds | 316,454 |
| | <u>\$350,214</u> |

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. INTERFUND TRANSACTIONS (Continued)

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

B. Advances at June 30, 2007, consisted of the following, as reported in the fund financial statements:

| | |
|----------------------------------|-----------------|
| Due to General fund from: | |
| Non-major Governmental Fund | <u>\$27,122</u> |

The balance due to the General Fund includes loans made to provide working capital for operations or projects. These amounts are expected to be repaid within one year.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

| | 2006 Second Half Collections | | 2007 First Half Collections | |
|--|---|----------------|--|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | \$269,141,270 | 89.93 | \$272,941,480 | 89.40 |
| Public utility personal | 11,208,650 | 3.74 | 11,861,740 | 3.89 |
| Tangible personal property | 18,960,161 | 6.33 | 20,501,263 | 6.71 |
| Total | \$299,310,081 | 100.00 | \$305,304,483 | 100.00 |
| | | | | |
| Tax rate per \$1,000 of assessed valuation | \$49.40 | | \$53.40 | |

7. NOTES PAYABLE

The District issued three general obligation bond anticipation notes during fiscal year 2007. The School Facilities Construction and Improvement Series 2006 note issuance occurred on December 28, 2006 in the amount of \$15,000,000. These notes matured on May 24, 2007 and had an interest rate of 4.20%.

The School Facilities Construction and Improvement Series 2007 note issuance occurred on January 16, 2007 in the amount of \$3,500,000. These notes matured on May 24, 2007 and had an interest rate of 4.70%. The only outstanding notes at the end of the year were the School Facilities Construction and Improvement notes Series 2007A that were issued on May 24, 2007 in the amount of \$3,500,000. These notes will mature on December 13, 2007 with an interest rate of 4.53%.

The following changes occurred in the general obligation bond anticipation notes during the year:

| | Issue Date | Balance 6/30/06 | Additions | Reductions | Balance 6/30/07 |
|---|-----------------------|----------------------------|---------------------|-----------------------|----------------------------|
| School Facilities Construction and Improvement Notes Series 2006 | 12/28/06 | \$0 | \$15,000,000 | (\$15,000,000) | \$0 |
| School Facilities Construction and Improvement Notes Series 2007 | 1/16/07 | | 3,500,000 | (3,500,000) | |
| School Facilities Construction and Improvement Notes Series 2007A | 5/24/07 | | 3,500,000 | | 3,500,000 |
| Total Bond Anticipation Notes | | \$0 | \$22,000,000 | (\$18,500,000) | \$3,500,000 |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. LONG-TERM OBLIGATIONS

During fiscal year 2007, the following changes occurred in the District's long-term obligations:

| | Balance Outstanding 6/30/2006 | Additions | Reductions | Balance Outstanding 6/30/2007 | Amounts Due In One Year |
|--------------------------------------|--|---------------------|----------------------|--|--|
| Governmental Activities: | | | | | |
| 2007 Advance Refunding Bonds | | \$17,380,000 | | \$17,380,000 | \$455,000 |
| 2007 Capital Appreciation Bonds | | 621,887 | | 621,887 | |
| 2005 Advance Refunding Bonds | \$ 7,755,000 | | (\$130,000) | 7,625,000 | 515,000 |
| 2005 Capital Appreciation Bonds | 419,990 | | | 419,990 | |
| 1998 Construction and Improvement | 3,945,000 | | (3,525,000) | 420,000 | |
| 1998 Capital Appreciation Bonds | 149,613 | | | 149,613 | |
| 1996 Construction and Improvement | 350,000 | | (350,000) | | |
| 1996 Capital Appreciation Bonds | 979,877 | | | 979,877 | |
| School Bus Bonds | 32,000 | | (32,000) | | |
| Total Governmental Activities | \$13,631,480 | \$18,001,887 | (\$4,037,000) | \$27,596,367 | \$970,000 |

2007 School Facilities Construction Improvement and Refunding General Obligation Bonds – On March 14, 2007, the District issued \$18,001,887 in general obligation School Facilities Construction Improvement and refunding bonds with an average interest rate of 4.00 percent for the purpose of advance refunding \$3,335,000 of the 1998 Construction and Improvement Bonds and issuing new bonds of \$14,666,887. The bond issue consisted of Current Interest Serial Bonds, Capital Appreciation Bonds, and Current Interest Term Bonds in the amount of \$10,770,000, \$621,887, and \$6,610,000, respectively. The bonds were issued for a 27 year period with a final maturity at December 1, 2034. Proceeds of \$3,482,286 were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Series Bonds. As a result, the 1998 Series Bonds are considered to be defeased. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding is \$184,123. The economic gain resulting from the refunding is \$187,399.

The Current Interest Term Bonds maturing December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the years and in the respective principal amounts as follows:

| Year | Principal Amount to be Redeemed |
|-------------|--|
| 2026 | \$615,000 |
| 2027 | 650,000 |
| 2028 | 680,000 |
| 2029 | 715,000 |
| 2030 | 750,000 |
| 2031 | 785,000 |
| 2032 | 825,000 |
| 2033 | 870,000 |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. LONG-TERM OBLIGATIONS (Continued)

The remaining principal amount of such Current Interest bonds, \$720,000, will mature on December 1, 2034.

The Current Interest Bonds maturing after December 1, 2017 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after June 1, 2017, at redemption prices equal to the date fixed for redemption.

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

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

The Capital Appreciation Serial Bonds will mature in fiscal years 2017 through 2018. The maturity amounts of the bonds are \$470,000 and \$745,000, respectively, for a total maturity of \$1,215,000.

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

Current Interest Bonds maturing after December 1, 2015, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any payment date on or after June 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption. When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided however, that the portion of any such bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

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

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

General Obligation Bonds – On March 1, 1998, the District issued \$4,999,612.50 in voted general obligation bonds for construction and improvements to the school buildings. The bond issue included Current Interest Serial, Current Interest Term, and Capital Appreciation Serial Bonds in the amount of \$1,940,000, \$2,910,000 and \$149,613, respectively.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. LONG-TERM OBLIGATIONS (Continued)

On March 14, 2007 a portion of the bonds were refunded leaving an outstanding balance of \$420,000. These bonds will mature December 1, 2010. The bonds will be retired with a voted property tax levy from the Bond Retirement Fund.

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

The current interest bonds and all but \$660,000 of the current interest term bonds were paid with the 2005 advance refunding bonds. The remaining principal of the current interest term bonds will mature at the stated maturity on December 1, 2022.

The Capital Appreciation Serial Bonds will mature in years 2009 through 2013. The maturity amounts of the bonds are \$525,000, \$535,000, \$585,000, \$640,000, and \$640,000, respectively.

School Bus Bonds – In June 1997, the District issued unvoted obligation bonds, in the amount of \$263,000, for the purchase of school buses. The bond were retired during 2007 from the Bond Retirement Fund.

The District's total voted legal debt margin was \$1,328,658 with an unvoted debt margin of \$305,304 at June 30, 2007. The District was approved as a special needs District by the Ohio Department of Education pursuant to Ohio Revised Code Section 133.06(E) based upon a future tax valuation of \$470,185,045, and a total indebtedness (based upon the projected valuation) of approximately 4%. The District exceeded the voted legal debt limitation by approximately \$24,816,627 during fiscal year 2007.

Pursuant to Ohio Revised Code 133.06, the Ohio Department of Education consented to allow the District to submit to the voters the question of issuing bonds in the amount of \$18,001,887 for constructing, furnishing and equipping a new elementary school building and refunding a portion of the 1998 Construction and Improvement bonds. The popular vote approved the \$18,001,887 bond issue for the new elementary building and the refunding of old debt, which resulted in the District exceeding the debt limitation.

Principal and interest requirements to retire general obligation debt at June 30, 2007, are as follows:

| <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|---------------------|---------------------|---------------------|
| 2008 | \$970,000 | \$855,881 | \$1,825,881 |
| 2009 | 1,125,000 | 1,214,656 | 2,339,656 |
| 2010 | 1,094,540 | 1,499,756 | 2,594,296 |
| 2011 | 923,285 | 1,329,136 | 2,252,421 |
| 2012 | 756,992 | 1,561,473 | 2,318,465 |
| 2013 - 2017 | 3,992,939 | 7,794,906 | 11,787,845 |
| 2018 - 2022 | 7,848,611 | 3,929,336 | 11,777,947 |
| 2023 - 2027 | 4,890,000 | 2,043,103 | 6,933,103 |
| 2028 - 2032 | 3,580,000 | 1,157,750 | 4,737,750 |
| 2033 - 2035 | 2,415,000 | 236,250 | 2,651,250 |
| Total | <u>\$27,596,367</u> | <u>\$21,622,247</u> | <u>\$49,218,614</u> |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District maintains comprehensive insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three fiscal years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$43,094,941 a \$2,500 deductible, and a 100 percent coinsurance.

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

B. Workers' Compensation

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

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

C. Health Insurance

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

10. PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. PENSION PLANS (Continued)

Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligation for the fiscal years ended June 30, 2007, 2006, and 2005, were \$228,123, \$239,613, and \$158,437 respectively; 100% has been contributed for fiscal year 2007, 2006, and 2005.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan.

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

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. PENSION PLANS (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$999,436, \$979,903, and \$840,417, respectively; 100% has been contributed for fiscal years 2007, 2006, and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT BENEFITS

The 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 premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$76,880 during fiscal 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$70,913 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next years projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

12. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

13. STATUTORY RESERVES

The District is required by state law to set-aside certain general fund cash receipt amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

| | Textbooks | Acquisition |
|--|------------------|--------------------|
| Set-aside cash balance as of June 30, 2006 | (\$503,990) | |
| Current year set-aside requirement | 294,319 | \$294,319 |
| Current year off-sets | | (106,751) |
| Qualifying disbursements | (256,419) | (573,345) |
| Total | (\$466,090) | (\$385,777) |
| Cash balance carried forward to FY 2008 | (\$466,090) | (\$285,926) |

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

The District is currently in the process of constructing a new elementary school. Expenditures from the debt proceeds to construct this building may be carried forward to off-set set-aside requirements in subsequent years. As a result, the District can carry forward \$285,926 of qualifying disbursements related to this project.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. CONTRACTUAL COMMITMENTS

The District is currently involved in a construction projects which resulted in contractual commitments remaining at fiscal year-end. The District had the following contractual commitments outstanding as of June 30, 2007:

| <u>Contractor</u> | <u>Project</u> | <u>Contract Amount</u> | <u>Expended</u> | <u>Balance at 6/30/07</u> |
|---------------------------|----------------------------------|----------------------------|--------------------|-------------------------------|
| Limbach Service Group | Maintenance Service | \$ 12,339 | | \$ 12,339 |
| H.C. Nutting Company | Phase/Environmental Site Study | 3,000 | | 3,000 |
| Fanning/Howey Assoc. | Architect Services | 1,018,000 | (\$254,500) | 763,500 |
| Touchstone CPM | Owner's Rep Construction Service | 456,152 | (16,291) | 439,861 |
| Lee's Surveying & Mapping | Land Survey Services | 640 | | 640 |
| Total | | <u>\$1,490,131</u> | <u>(\$270,791)</u> | <u>\$1,219,340</u> |

15. SUBSEQUENT EVENTS

On December 13, 2007, the District issued \$3,138,325 in bond anticipation notes for the purpose of constructing a new elementary school under the Ohio School Facilities Commission School Building Assistance Expedited Local Partnership Program. The notes have an interest rate of 4% and will mature on December 11, 2008.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| FEDERAL GRANTOR Pass Through Grantor Program Title | Pass Through Entity Number | Catalog of Federal Domestic Assistance Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|-------------------------------------|---|-------------|----------------------|---------------|---------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Food Donation | N/A | 10.550 | | \$87,588 | | \$87,588 |
| Nutrition Cluster: | | | | | | |
| School Breakfast Program | 05-PU-06 | 10.553 | \$14,602 | | \$14,602 | |
| | 05-PU-07 | | 44,330 | | 44,330 | |
| Total School Breakfast Program | | | 58,932 | | 58,932 | |
| National School Lunch Program | LL P4-06 | 10.555 | 53,387 | | 53,387 | |
| | LL P4-07 | | 152,408 | | 152,408 | |
| Total National School Lunch Program | | | 205,795 | | 205,795 | |
| Total Nutrition Cluster | | | 112,319 | | 112,319 | |
| Total Department of Agriculture | | | 264,727 | 87,588 | 264,727 | 87,588 |
| UNITED STATES DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Title 1 Grants to Local Educational Agencies | C1-S1-06 | 84.010 | 15,973 | | 49,157 | |
| | C1-S1-07 | | 351,288 | | 325,759 | |
| Total Title 1 Grants to Local Educational Agencies | | | 367,261 | | 374,916 | |
| State Grants for Innovative Programs | C2-S1-07 | 84.298 | 6,113 | | 5,604 | |
| Improving Teacher Quality State Grants | TR-S1-06 | 84.367 | 6,908 | | 15,717 | |
| | TR-S1-07 | | 106,217 | | 100,844 | |
| Total Improving Teacher Quality State Grants | | | 113,125 | | 116,561 | |
| Special Education Grants to State | 6B-SF-06 | 84.027 | (62) | | 37,744 | |
| | 6B-SF-07 | | 462,027 | | 436,699 | |
| Total Special Education Grants to State | | | 461,965 | | 474,443 | |
| Education Technology State Grants | TJ-S1-06 | 84.318 | | | 1,933 | |
| | TJ-S1-07 | | 4,041 | | 3,743 | |
| Total Education Technology State Grants | | | 4,041 | | 5,676 | |
| Safe and Drug Free Schools and Communities State Grants | DR-S1-06 | 84.186 | (1,253) | | | |
| | DR-S1-07 | | 7,593 | | 7,556 | |
| Total Safe and Drug Free Schools and Communities State Grants | | | 6,340 | | 7,556 | |
| Class Size Reduction | CR-S1-02 | 84.340 | (33) | | | |
| Total Department of Education | | | 958,812 | | 984,756 | |
| Total Federal Financial Assistance | | | \$1,223,539 | \$87,588 | \$1,249,483 | \$87,588 |

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

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MATCHING REQUIREMENTS

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

NOTE E – TRANSFER OF FUNDS BETWEEN COST CENTERS

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

| Grant and CFDA # / Fund, Cost Center | Transfer Out | Transfer In |
|---|---------------------|--------------------|
| Title 1, Grants to Local Educational Agencies #84.010 | | |
| 572-9016 | (\$1,007) | |
| 572-9007 | | \$1,007 |
| Special Education Grants to States #84.027 | | |
| 516-9006 | (\$62) | |
| 516-9007 | | \$62 |
| Safe and Drug Free Schools and Communities #84.186 | | |
| 584-9006 | (\$1,253) | |
| 584-9007 | | \$1,253 |
| Improving Teacher Quality State Grants #84.367 | | |
| 590-9006 | (\$5,067) | |
| 590-9007 | | \$5,067 |

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE F – REFUND OF PRIOR YEAR RECEIPTS

The District refunded \$33 to the Ohio Department of Education in fiscal year 2007 for the unused portion of the 2002 Class Size Reduction grant. This is presented as a negative receipt on the Schedule of Federal Awards for CFDA #84.340.

NOTE G – REALLOCATION OF FUNDS

The Ohio Department of Education approved the reallocation of \$3,300 from the Safe and Drug Free Schools and Communities State Grants program to the State Grants for Innovative Programs project for fiscal year 2007 in the Comprehensive Continuous Improvement Plan.

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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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Indian Lake Local School District, Logan County, (the District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 12, 2008, wherein, we noted the 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the District's management in a separate letter dated March 12, 2008.

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www.auditor.state.oh.us

Compliance and Other Matters

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 12, 2008.

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

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



Mary Taylor, CPA
Auditor of State

March 12, 2008



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 IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Indian Lake Local School District, Logan County, (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Indian Lake Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2007.

In a separate letter to the District's management dated March 12, 2008, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 12, 2008.

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



Mary Taylor, CPA
Auditor of State

March 12, 2008

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | CFDA #84.027 Special Education Grants to States |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

FINDING NUMBER 2007-001

Noncompliance Citation

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

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

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

OFFICIALS' RESPONSE:

In response to Finding Number 2007-001 Noncompliance Citation O.R.C. 117.38; the Indian Lake Board of Education understands that the Ohio Revised Code requires the District's financial statements to be prepared in accordance with GAAP, however, an exception has been implemented by the State Auditor for issuance of an unqualified opinion if GAAP look-alike financial statements have been prepared by the District. Due to cost of the conversion, increased audit cost, and cost of employee resources, the Board feels money that would otherwise be spent on conversion to GAAP is better used to educate the students of Indian Lake Local Schools. In addition, federal security laws do not require GAAP financial statements, and specifically, SEC Rule 15c2-12 relating to continuing disclosure on outstanding debt (which applies to the District) does not require GAAP financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**INDIAN LAKE LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2006-001 | Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP | No | Repeated as Finding Number 2007-001 |
| 2006-002 | Ohio Rev. Code Section 5705.10 –Negative cash fund balances | No | Repeated in the management letter. |



Mary Taylor, CPA
Auditor of State

INDIAN LAKE LOCAL SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2008**