



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tecumseh Local School District, Clark County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

December 26, 2006

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2006 (Unaudited)

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

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

Overall:

- Total net assets increased \$6.4 million, which is due primarily to the School District closely monitoring expenditures and the School District's participation in the Classroom Facilities Assistance Program.
- Total assets of governmental activities increased \$6.5 million, attributed almost exclusively to the decrease in intergovernmental receivables with a corresponding increase in capital assets. The decrease in intergovernmental receivables and increase in capital assets is due to the School District's participation in the Classroom Facilities Assistance program.
- General revenues accounted for \$28.2 million or 78 percent of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions account for \$8.0 million or 22 percent of total revenues of \$36.2 million.
- Of the School District's \$29.9 million in expenses, \$8.0 million were offset by program specific charges for services, grants or contributions. General revenues (primarily unrestricted grants and entitlements and property taxes) of \$28.2 million were used to offset the net expenses of \$21.9 million.
- The General Fund, Debt Service Fund and Classroom Facilities Fund, the only major funds, had \$26.0 million, \$1.4 million and \$40.5 million in revenues, respectively, and \$24.7 million, \$1.2 million and \$52.9 million in expenditures, respectively. These funds represent 93 percent of the total governmental funds revenues and 95 percent of governmental fund expenditures. The General Fund's balance increased \$1.4 million over fiscal year 2005. The Debt Service fund balance did not change significantly with an increase of \$0.1 million. The Classroom Facilities fund balance decreased \$12.4 million as a result of expenditures associated with the Classroom Facilities Assistance program.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Tecumseh Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Tecumseh Local School District, the General Fund, Debt Service Fund and Classroom Facilities Fund are the major funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. However the fund financial statements provide more detailed information about the School District's most significant funds. Therefore, only the General Fund, Debt Service Fund and Classroom Facilities Fund are presented separate from other governmental funds.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Governmental Funds

The School 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 an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

TABLE 1
NET ASSETS (in 000's)

	2006	2005
Assets		
Current and Other Assets	\$ 51,632	\$ 98,378
Capital Assets	60,339	7,140
Total Assets	<u>111,971</u>	<u>105,518</u>
Liabilities		
Long-term Liabilities	21,238	21,643
Other Liabilities	11,094	10,600
Total Liabilities	<u>32,332</u>	<u>32,243</u>
Net Assets		
Invested in Capital Assets, Net of Debt	38,791	7,003
Restricted	38,334	68,656
Unrestricted	2,514	(2,384)
Total Net Assets	<u>\$ 79,639</u>	<u>\$ 73,275</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2006 the School District's net assets were \$79.6 million. Of that amount, approximately \$38.8 million was invested in capital assets, net of debt related to those assets. Another \$38.3 million was subject to external restrictions upon its use.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2006
 (Unaudited)

Table 2 shows the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

TABLE 2
 CHANGE IN NET ASSETS (in 000's)

	<u>2006</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,051	\$ 2,105
Operating Grants and Contributions	2,424	2,588
Capital Grants and Contributions	3,542	255
General Revenues:		
Property Taxes	9,851	10,314
Grants and Entitlements	16,922	16,822
Other	1,459	797
Total Revenues	<u>36,249</u>	<u>32,881</u>
Program Expenses		
Instruction	16,511	16,200
Support Services:		
Pupils and Instructional Staff	3,039	3,123
Board of Education, Administration, Fiscal and Business	3,163	3,259
Plant Operation and Maintenance	2,653	2,679
Pupil Transportation	1,349	1,405
Central	124	131
Operation of Non-instructional services	1,659	1,421
Extracurricular Activities	503	524
Unallocated Depreciation	17	10
Interest and Fiscal Charges	867	850
Total Expenses	<u>29,885</u>	<u>29,602</u>
Increase (Decrease) in Net Assets	6,364	3,279
Net Assets at Beginning of Year	<u>73,275</u>	<u>69,996</u>
Net Assets at End of Year	<u>\$ 79,639</u>	<u>\$ 73,275</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 27 percent of revenues for governmental activities for the School District for fiscal year 2006. The last operating levy approved by voters in the School District occurred in 1995. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 63 percent of the School District's total revenue was received from intergovernmental sources during fiscal year 2006.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2006 (Unaudited)

For fiscal year 2006, total revenue reported by the School District increased approximately \$3.4 million. Property tax revenue, charges for services and capital and operating grants combined for an increase of approximately \$2.6 million from fiscal year 2005, while revenue from unrestricted grants (primarily the State Foundation program) interest earnings and gain from the sale of assets increased approximately \$755,000 over the prior year.

Total expenses reported for fiscal year 2006 increased slightly from the expenses reported in the prior fiscal year. The increase is primarily a result of increases in personnel costs (wage and benefit increases) and expenses associated with the Classroom Facilities Assistance program.

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

TABLE 3
TOTAL AND COST OF PROGRAM SERVICES
(in 000's)

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,511	\$ (14,844)	\$ 16,200	\$ (14,326)
Support Services:				
Pupils and Instructional Staff	3,039	(2,430)	3,123	(2,308)
Board of Education, Administration, Fiscal and Business	3,163	(2,845)	3,259	(2,936)
Plant Operation and Maintenance	2,653	(2,632)	2,679	(2,655)
Pupil Transportation	1,349	(1,347)	1,403	(1,313)
Central	124	(118)	133	(127)
Operation of Non-instructional services	1,659	3,452	1,421	113
Extracurricular Activities	503	(219)	524	(240)
Unallocated Depreciation	17	(17)	10	(10)
Interest and Fiscal Charges	867	(867)	850	(850)
Total Expenses	<u>\$ 29,885</u>	<u>\$ (21,867)</u>	<u>\$ 29,602</u>	<u>\$ (24,652)</u>

In fiscal year 2006, the School District reported \$8.0 million of program specific revenue compared with the \$4.9 million reported in the prior year. Increases in revenue received from the Classroom Facilities Assistance Program comprise the majority of the increase. For fiscal year 2006, general revenues of the School District were used to pay 73 percent of total expenses incurred while 83 percent of fiscal year 2005 expenses were funded with general revenues.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

The School District's Funds

On the modified accrual basis of accounting, governmental funds had total revenues of \$72.7 million and expenditures of \$83.4 million. The net change in fund balance was most significant in the Classroom Facilities Fund with a decrease of \$12.4 million. As previously discussed, the change is a result of expenditures related to the School District's participation in the Classroom Facilities Assistance program.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the School District amended its general fund budget several times, none significant. Budgetary adjustments were required due to unanticipated increases in property tax and interest revenues. Other revenue and expenditure line items were also reviewed.

For the General Fund, budget basis revenue was \$25.9 million as compared to the original budget estimates of \$25.7 million. This difference included property tax revenues initially budgeted at \$7.7 million with budget basis revenues coming in at \$7.8 million and interest revenue originally budgeted at \$75,622 with budget basis revenues coming in at \$198,879.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$26.0 million, \$78,553 above revenues as well as \$25,520 above original budget estimates.

Capital Assets

At the end of fiscal year 2006 and 2005, the School District had \$60.3 million and \$7.1 million, respectively, invested in land, buildings, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2006 balances compared to 2005:

TABLE 4
CAPITAL ASSETS AT JUNE 30 (in 000's)

	2006	2005
Land and Improvements	\$ 520	\$ 520
Construction in Progress	58,579	5,248
Building and Improvements	7,869	8,893
Equipment	1,208	1,202
Vehicles	2,107	2,160
Less: Accumulated Depreciation	(9,944)	(10,883)
Total	<u>\$ 60,339</u>	<u>\$ 7,140</u>

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2006 (Unaudited)

Overall capital assets increased approximately \$53.2 million from fiscal year 2005. Capital asset acquisitions during fiscal year 2006 consisted primarily of construction costs associated with the Classroom Facilities Assistance Program at a cost of \$53.3 million. Other acquisitions included school buses and miscellaneous equipment. See Note 8 to the basic financial statements for additional information.

For fiscal year 2000 and forward, Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional supplies. For fiscal year 2006, this amounts to \$530,353 for each set aside requirement. When fiscal year 2006 qualifying disbursements for the capital improvements and textbooks were netted against the cumulative set aside amounts for the year, no set aside for textbooks or capital improvements remained. See Note 17 to the basic financial statements for more information.

Debt Administration

At June 30, 2006, the School District had a five-year renewable tax anticipation note of \$1,749,000 in outstanding debt. The note was issued on March 9, 2006 for permanent improvements to be made to the School District's buildings. The debt will be repaid from proceeds of a tax levy collected by the County Auditor. During the fiscal year the School District paid off a tax anticipation note outstanding at June 30, 2005. Principal payments for fiscal year 2006 totaled \$137,000.

In May 2004, general obligation bonds in the amount of \$20.6 million were issued to begin renovating or replacing eight school buildings in conjunction with funding from the Ohio School Facilities Commission. The outstanding debt on the general obligation bonds at year end is \$19.8 million. Principal payments totaled \$385,000 with the balance to be paid off during fiscal year 2032

At June 30, 2006 the School District's overall legal debt margin was \$24.3 million and the unvoted debt margin was \$0.2 million. See Note 13 and 14 to the basic financial statements for more information.

For the Future

Long- range financial projections indicate there is a need for additional operating revenue; therefore, the School District will ask the voters to approve an operating levy in the future. The School District has also implemented a three phase cost containment plan; phase I cuts were implemented in fiscal year 2006; phase II cuts were implemented in fiscal year 2007.

There was outstanding support from the local citizens and business community for the bond and maintenance levy in November 2003. The School District and the Ohio School Facilities Commission (Classroom Facilities Assistance Program) entered into an agreement pursuant to Ohio Rev. Code Section 3318.30 in January 2004. The Ohio School Facilities Commission agreed to pay 77% of the building project. The building status is as follows: Donnelsville Elementary and Medway Elementary will be ready for occupancy at the beginning of the fiscal year 2007; the new New Carlisle Elementary (formerly known as Westlake Elementary), the Park Layne Elementary and the new Tecumseh Middle School buildings are scheduled to open in January 2007; Tecumseh High School is scheduled to be completed in July 2007.

TECUMSEH LOCAL SCHOOL DISTRICT

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
(Unaudited)

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Tecumseh Local Schools, 9760 W. National Road, New Carlisle, Ohio 45344 or call (937)845-3576.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents and investments	\$ 31,048,091
Cash and Cash Equivalents:	
In Segregated Accounts	2,500
Receivables:	
Property and other taxes	9,134,911
Accounts	43,595
Intergovernmental	11,020,682
Inventory of supplies and materials	176,131
Inventory held for resale	7,900
Prepaid items	116,971
Restricted Assets:	
Equity in pooled cash and cash equivalents	80,264
Non-depreciable capital assets	59,099,289
Depreciable capital assets, net	1,240,641
Total Assets	111,970,975
Liabilities:	
Accounts payable	142,253
Accrued wages and benefits payable	2,363,530
Compensated absences	88,788
Intergovernmental payable	739,676
Unearned revenue	5,909,616
Early retirement incentive payable	100,000
Tax anticipation note payable	1,749,000
Long Term Liabilities:	
Due within one year	496,020
Due in more than one year	20,742,701
Total Liabilities	32,331,584
Net Assets:	
Invested in capital assets, net of related debt	38,790,955
Restricted for:	
Endowment:	
Non-expendable	2,151
Other purpose	584,791
Capital projects	36,082,837
Debt service	1,663,849
Unrestricted	2,514,808
Total Net Assets	\$ 79,639,391

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 12,533,169	\$ 768,321	\$ 268,425	\$ -	\$ (11,496,423)
Special	2,597,767	157,367	472,318	-	(1,968,082)
Vocational	507,269	-	-	-	(507,269)
Other	873,187	-	-	-	(873,187)
Support Services:					
Pupils	1,756,622	-	414,572	-	(1,342,050)
Instructional staff	1,282,429	-	194,759	-	(1,087,670)
Board of education	107,287	-	-	-	(107,287)
Administration	2,463,757	-	158,326	-	(2,305,431)
Fiscal	591,645	-	159,166	-	(432,479)
Operation and maintenance of plant	2,653,239	-	21,000	-	(2,632,239)
Pupil transportation	1,349,060	-	2,218	-	(1,346,842)
Central	124,149	-	6,106	-	(118,043)
Operation of non-instructional services	1,659,170	841,635	726,986	3,542,248	3,451,699
Extracurricular activities	502,720	284,152	-	-	(218,568)
Interest and fiscal charges	866,656	-	-	-	(866,656)
Unallocated depreciation *	16,726	-	-	-	(16,726)
Total Governmental Activities	\$ 29,884,852	\$ 2,051,475	\$ 2,423,876	\$ 3,542,248	(21,867,253)

General Revenues:

Property taxes levied for general purposes	7,874,704
Property taxes levied for capital improvements	761,887
Property taxes levied for debt service	1,214,176
Grants and entitlements not restricted to specific programs	16,922,271
Investment earnings	1,255,531
Gain on sale of assets	100,759
Miscellaneous	101,503

Total General Revenues 28,230,831

Changes in net assets 6,363,578

Net assets at beginning of year 73,275,813

Net assets at end of year \$ 79,639,391

* - This amount excludes the depreciation that is included in the direct expense of the various functions.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Classroom Facilities	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents and Investments	\$ 3,029,131	\$ 24,477,183	\$ 483,205	\$ 3,058,572	\$ 31,048,091
Cash and Cash Equivalents:					
In Segregated Accounts	-	-	-	2,500	2,500
Receivables:					
Taxes	7,174,470	-	1,180,644	779,797	9,134,911
Accounts	43,595	-	-	-	43,595
Intergovernmental	-	10,800,286	-	220,396	11,020,682
Prepaid Items	116,971	-	-	-	116,971
Inventory of Supplies and Materials	170,620	-	-	5,511	176,131
Inventory Held for Resale	-	-	-	7,900	7,900
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	80,264	-	-	-	80,264
Total Assets	\$ 10,615,051	\$ 35,277,469	\$ 1,663,849	\$ 4,074,676	\$ 51,631,045
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 69,684	\$ 17,700	\$ -	\$ 54,869	\$ 142,253
Accrued Wages and Benefits	2,137,028	-	-	226,502	2,363,530
Intergovernmental Payable	646,486	-	-	93,190	739,676
Deferred Revenue	4,973,170	10,800,286	896,800	538,491	17,208,747
Compensated Absences Payable	88,788	-	-	-	88,788
Early Retirement Incentive Payable	100,000	-	-	-	100,000
Tax Anticipation Notes Payable	-	1,023,497	-	725,503	1,749,000
Total Liabilities	8,015,156	11,841,483	896,800	1,638,555	22,391,994
<u>Fund Balances:</u>					
<u>Reserved for:</u>					
Encumbrances	443,592	30,607,785	-	1,145,330	32,196,707
Inventory	170,620	-	-	13,411	184,031
Property Taxes	2,201,300	-	283,844	270,615	2,755,759
Budget Stabilization	80,264	-	-	-	80,264
<u>Unreserved, Undesignated:</u>					
General Fund	(295,881)	-	-	-	(295,881)
Debt Service Fund	-	-	483,205	-	483,205
Special Revenue Funds	-	-	-	767,087	767,087
Capital Projects Funds	-	(7,171,799)	-	237,527	(6,934,272)
Permanent Fund	-	-	-	2,151	2,151
Total Fund Balances	2,599,895	23,435,986	767,049	2,436,121	29,239,051
Total Liabilities and Fund Balances	\$ 10,615,051	\$ 35,277,469	\$ 1,663,849	\$ 4,074,676	\$ 51,631,045

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006**

Total Governmental Fund Balances:		\$	29,239,051
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			60,339,930
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			11,299,131
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.			
Compensated Absences	(1,438,746)		
General Obligation Bonds Payable	(19,799,975)		
Total			<u>(21,238,721)</u>
Net Assets of Governmental Activities		\$	<u><u>79,639,391</u></u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	Classroom Facilities	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,984,380	\$ -	\$ 1,227,861	\$ 774,916	\$ 9,987,157
Intergovernmental	16,922,271	39,520,592	159,166	2,757,531	59,359,560
Interest	205,902	1,007,137	-	42,492	1,255,531
Tuition and Fees	925,688	-	-	-	925,688
Charges for Services	-	-	-	841,635	841,635
Extracurricular Activities	-	-	-	284,152	284,152
Miscellaneous	14,182	3,775	-	83,546	101,503
Total Revenues	26,052,423	40,531,504	1,387,027	4,784,272	72,755,226
Expenditures:					
Current:					
Instruction:					
Regular	12,072,755	-	-	454,056	12,526,811
Special	1,936,631	-	-	670,070	2,606,701
Vocational	506,232	-	-	-	506,232
Other Instruction	846,500	-	-	26,687	873,187
Support Services:					
Pupils	1,365,441	-	-	385,964	1,751,405
Instructional Staff	999,802	-	-	277,734	1,277,536
Board of Education	107,287	-	-	-	107,287
Administration	2,242,851	-	-	220,383	2,463,234
Fiscal	508,335	-	22,984	57,670	588,989
Plant Operation and Maintenance	2,502,675	-	-	120,091	2,622,766
Pupil Transportation	1,140,761	-	-	93,096	1,233,857
Central	124,149	-	-	-	124,149
Non-Instructional Services	10,700	52,959,608	-	2,085,726	55,056,034
Extracurricular Activities	336,839	-	-	162,117	498,956
Debt Service:					
Principal Retirement	-	-	385,000	-	385,000
Interest and Fiscal Charges	-	-	846,218	20,438	866,656
Total Expenditures	24,700,958	52,959,608	1,254,202	4,574,032	83,488,800
Excess of Revenues Over(Under) Expenditures	1,351,465	(12,428,104)	132,825	210,240	(10,733,574)
Other Financing Sources:					
Proceeds from Sale of Assets	39,376	-	-	61,383	100,759
Total Other Financing Sources	39,376	-	-	61,383	100,759
Change in Fund Balance	1,390,841	(12,428,104)	132,825	271,623	(10,632,815)
Fund Balance at Beginning of Year	1,209,054	35,864,090	634,224	2,164,498	39,871,866
Fund Balance at End of Year	\$ 2,599,895	\$ 23,435,986	\$ 767,049	\$ 2,436,121	\$ 29,239,051

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds		\$ (10,632,815)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital asset additions	53,468,935	
Current year depreciation	<u>(269,228)</u>	
Total		53,199,707
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(36,607,555)
<p>Repayment of long-term obligations is reported as an expenditure in the governmental funds but the repayment reduces long term liabilities in the statement of net assets.</p>		
General Obligation Bond		385,000
<p>Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences payable		<u>19,241</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 6,363,578</u></u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:				
Taxes	\$ 7,728,581	\$ 7,893,718	\$ 7,893,718	\$ -
Intergovernmental	16,956,968	16,918,526	16,918,526	-
Interest	75,622	198,879	198,879	-
Tuition and Fees	933,728	912,573	912,573	-
Gifts and Donations	7,250	6,400	6,400	-
Miscellaneous	12,023	7,781	7,781	-
Total Revenues	<u>25,714,172</u>	<u>25,937,877</u>	<u>25,937,877</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,095,972	12,442,911	12,442,911	-
Special	1,948,144	1,993,165	1,993,165	-
Vocational	493,978	572,613	572,613	-
Other Instruction	1,417,414	1,031,396	1,031,396	-
Support Services:				
Pupils	1,356,919	1,418,454	1,418,454	-
Instructional Staff	1,009,112	1,060,812	1,060,812	-
Board of Education	98,480	104,015	104,015	-
Administration	2,378,802	2,421,370	2,421,370	-
Fiscal	560,427	528,558	528,558	-
Business	43,970	-	-	-
Plant Operation and Maintenance	1,952,652	2,765,673	2,765,673	-
Pupil Transportation	1,153,019	1,196,356	1,196,356	-
Central	126,109	123,698	123,698	-
Non-Instructional Services	51,180	49,559	49,559	-
Extracurricular Activities	304,732	307,850	307,850	-
Total Expenditures	<u>25,990,910</u>	<u>26,016,430</u>	<u>26,016,430</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(276,738)</u>	<u>(78,553)</u>	<u>(78,553)</u>	<u>-</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	807	3,747	3,747	-
Sale and Loss of Assets	18,844	39,376	39,376	-
Advances-In	-	8,638	8,638	-
Total Other Financing Sources (Uses)	<u>19,651</u>	<u>51,761</u>	<u>51,761</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(257,087)</u>	<u>(26,792)</u>	<u>(26,792)</u>	<u>-</u>
Fund Balance at Beginning of Year	2,053,754	2,053,754	2,053,754	-
Prior Year Encumbrances Appropriated	<u>569,008</u>	<u>569,008</u>	<u>569,008</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,365,675</u>	<u>\$ 2,595,970</u>	<u>\$ 2,595,970</u>	<u>\$ -</u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2006**

	<u>AGENCY FUND</u>
<u>Assets:</u>	
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 84,401
Total Assets	<u>\$ 84,401</u>
<u>Liabilities</u>	
Liabilities:	
Accounts Payable	\$ 667
Due to Students	83,734
Total Liabilities	<u>\$ 84,401</u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Tecumseh 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 1875 through the consolidation of existing land areas and school districts. The District serves an area of approximately 50 square miles. It is located in Clark County, and includes all of the City of New Carlisle and portions of Bethel and Pike Townships. It is staffed by 176 non-certified employees, 233 certificated full-time teaching personnel and 18 administrative employees who provide services to 3,642 students and other community members. The District currently operates 8 instructional buildings, 1 administrative building and 1 garage.

Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations for which the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

The District is associated with seven organizations, which are defined as jointly governed and one insurance purchasing pool. These organizations are discussed in Note 15 and 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Clark County Family and Children First Council
- Springfield/Clark County Joint Vocational School
- Tecumseh Education Foundation
- Miami Valley Special Education Regional Resource Center

Insurance Purchasing Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tecumseh Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis Of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues 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. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District's major governmental funds are as follows:

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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt issued to pay for the local share of the Classroom Facilities Assistance Program.

Classroom Facilities

The Classroom Facilities Fund is used to account for the expenses associated with the District's plan to replace five school buildings and renovate one school building through the Classroom Facilities Assistance Program.

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net 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 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 has no funds, which are classified as trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund is used to account for resources that belong to various student groups in the District.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budget Data

All funds, other than agency funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The original contribution to the permanent fund is invested separately.

The District has segregated bank accounts for monies held separate from the District's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the District Treasury.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

For purposes of the presentation on the financial statement, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$205,902 which includes the general funds allocation as well as the allocations of all funds not specified in the Board's resolution. The Classroom Facilities Fund had interest earnings of \$1,007,137. The non-major funds also earned interest in the amount of \$42,492.

G. Inventory

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, and purchased food. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the District for the purchase of textbooks and instructional materials and the creation of a reserve for budget stabilization. See Note 17 for additional information regarding set-sides.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Capital Assets and Depreciation

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also not capitalized.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Furniture and Equipment	5 – 10 years
Vehicles	10 years

L. Interfund Activity

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

M. Compensated Absences

Vacation benefits are accumulated throughout the year; however, vacation time may not be carried from one year to the next. Employees with accrued vacation balances at June 30, 2006 receive a cash payout on the last payroll check of the fiscal year. Therefore, no accrual has been recorded for vacation leave at the District.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the vesting method which states that the District will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated sick leave for all employees after ten years of current service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to employees who were retired at June 30, 2006 but were not paid as of that date. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventory of supplies and materials, property taxes, budget stabilization, and encumbrances.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money previously received through workers' compensation rebates which are required to be set-aside by statute to be spent on specific purposes.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds have fund equity deficits as of June 30, 2006:

	<u>Deficit Fund Equity</u>
Non-major Governmental Funds	
Management Information Systems	\$ 340
Impact Aid	5,393

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2007. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

	<u>General Fund</u>
GAAP Basis	\$ 1,390,841
Revenue Accruals	(114,546)
Expenditure Accruals	(1,818,914)
Encumbrances	503,442
Advances	8,638
Other	<u>3,747</u>
Budget Basis	<u>\$ (26,792)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

Interim 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.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the District's deposits was \$16,493,292 and the bank balance was \$21,168,980. \$100,000 of the bank balance was covered by federal depository insurance and \$20,197,140 was collateralized with securities held by the pledging financial institution's agent in the District's name and \$871,840 was collateralized with securities held by the pledging financial institution's agent but not in the District's name.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the District to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. During fiscal year 2006, the District's invested in U.S. Treasury Obligations, Federal Farm Credit Bank Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds and Notes and Federal National Mortgage Association Bonds and Notes.

As of June 30, 2006 the District has the following investments:

	Fair Value	Investment Maturity (in Years)		Standard & Poor's Rating
		Less than 1	1-2	
Federal Home Loan Mortgage Corporation (FHLMC)	6,107,577	3,049,372	3,058,205	AAA
Federal National Mortgage Association (FNMA)	2,241,052	2,087,347	153,705	AAA
Federal Home Loan Bank (FHLB)	3,655,296	2,203,746	1,451,550	AAA
Federal Farm Credit Bank	1,597,760	1,597,760	-	AAA
FHLMC Discount Note	248,313	248,313	-	A-1+
FNMA Discount Note	228,228	228,228	-	A-1+
U.S. Treasury Notes	187,827	187,827	-	N/A
U.S. Treasury Bills	455,911	455,911	-	N/A
	<u>14,721,964</u>	<u>10,058,504</u>	<u>4,663,460</u>	

At year-end, Federal National Mortgage Association Bonds, Federal Farm Credit Bank Bonds, Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Corporation Bonds represented 15.22 percent, 10.85 percent, 24.83 percent and 41.49 percent, respectively, of the District's total investments.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school 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 school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004 were levied after April 1, 2004 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$2,201,300 in the general fund, \$283,844 in the debt service fund and \$270,615 in the non-major funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>2006 First Half Collections</u>		<u>2005 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 257,398,370	90.44%	\$ 252,600,330	90.14%
Public Utility	9,630,050	3.38%	9,818,010	3.50%
Tangible Personal Property	<u>17,560,470</u>	<u>6.18%</u>	<u>17,785,234</u>	<u>6.36%</u>
Total Assessed Value	<u>\$ 284,588,890</u>	<u>100%</u>	<u>\$ 280,203,574</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.84		\$46.10	

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006, consisted of current and delinquent property taxes, accounts (student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables recorded in nonmajor governmental funds were as follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Ohio Reads	6,486
Title I - Immigrant	43,399
Title VI-B Grant	107,450
Title II-A	18,900
Miscellaneous Federal Grants	44,161
Total Intergovernmental Receivables	<u>220,396</u>

The intergovernmental receivable of \$10,800,286 in the classroom facilities fund is a result of the District participating in the School Facilities Commission Program.

NOTE 8 - CAPITAL ASSETS

	Balance 6/30/05	Additions	Deductions	Balance 6/30/06
<u>Capital Assets, not being depreciated</u>				
Land	\$ 520,022	-	-	\$ 520,022
Construction in Progress	5,248,317	53,330,950	-	58,579,267
	<u>5,768,339</u>	<u>53,330,950</u>	<u>-</u>	<u>59,099,289</u>
<u>Capital Assets, being depreciated</u>				
Buildings and Improvements	8,893,141	68,685	(1,092,076)	7,869,750
Furniture and Equipment	1,202,359	5,800	-	1,208,159
Vehicles	2,160,203	63,500	(116,450)	2,107,253
	<u>12,255,703</u>	<u>137,985</u>	<u>(1,208,526)</u>	<u>11,185,162</u>
<u>Less: Accumulated Depreciation</u>				
Buildings and Improvements	(8,658,288)	(14,659)	1,092,076	(7,580,871)
Furniture and Equipment	(1,015,917)	(63,248)	-	(1,079,165)
Vehicles	(1,209,614)	(191,321)	116,450	(1,284,485)
	<u>(10,883,819)</u>	<u>(269,228) *</u>	<u>1,208,526</u>	<u>(9,944,521)</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,140,223</u>	<u>53,199,707</u>	<u>-</u>	<u>\$ 60,339,930</u>

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 8 - CAPITAL ASSETS (Continued)

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 16,400
Special	1,299
Support Services:	
Pupils	997
Instructional Staff	977
Fiscal	1,185
Operation and Maintenance of Plant	39,366
Pupil Transportation	182,957
Operation of Non-Instructional Services	6,623
Extracurricular Activities	2,698
	<hr/>
	252,502
Unallocated Depreciation	16,726
Total Depreciation Expense	<hr/>
	\$ 269,228

Unallocated depreciation is depreciation of the individual school buildings throughout the District which essentially serve all functions/programs, and therefore is not included as a direct expense of any function or program but disclosed as a separate expense.

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District contracted with Marsh USA, Inc. for property, general liability and automobile insurance. Coverage provided by Marsh USA, Inc. is as follows:

Buildings and Contents – replacement cost (\$5,000 deductible)	\$301,000,000
Inland Marine Coverage (\$2,500 deductible)	50,000,000
Crime Insurance	500,000
Automobile Liability (\$500 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
School Errors & Omissions Liability (\$5,000 deductible)	1,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	3,000,000
Umbrella Liability	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2006, the District participated in the Southwest Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 16). 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 rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving 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 ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$538,585, \$651,918 and \$720,810 respectively; 48.0 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System

The School 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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,813,417, \$1,777,177, and \$1,979,384, respectively; 83.0 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$20,707 made by the School District and \$23,074 made by the plan members.

NOTE 11 – POSTEMPLOYMENT BENEFITS

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

All 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 the 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, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$129,530 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for 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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$175,394.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

Accumulated Unpaid Sick Leave

Sick leave may be accumulated up to a maximum of 220 days for all district employees. Upon retirement, payment is made for one-fourth of the total unused sick leave balance up to a maximum of thirty-five days for all employees with ten or more years of current service with the District. Twelve percent of the remaining accrued but unused sick leave is paid, not to exceed nine days. The total obligation for sick leave accrual for the District as a whole as of June 30, 2006 was \$1,527,534.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Early Retirement Incentive

The Board of Education approved an early retirement incentive program. Upon initial eligibility for STRS retirement benefits, the Board agreed to pay a one-time lump sum of \$1,250 times each year of Tecumseh LSD service, not to exceed \$25,000, provided that such unit member has at least ten years of Tecumseh LSD service, the final five years of which must be consecutive and be in a paid status immediately prior to retirement.

At the end of the fiscal year 2006, the District had 4 employees who had chosen to accept the early retirement incentive. They will receive the payment 14 months following the effective date of separation. The liability at June 30, 2006, for these 4 employees has been recorded as an early retirement incentive liability in the fund from which the employees' salaries are paid.

B. Health Care Benefits

The District provides life insurance and accidental death and dismemberment insurance to employees through Medical Life Insurance Company. The District provides health insurance coverage through United Health Care of Ohio, Inc. Employee share of the total premium was 15 percent of the monthly premium. The premium varies with each employee depending on the terms of the union contract. Dental insurance is provided through CoreSource and vision benefits are provided through Vision Service Plan.

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Balance 6/30/05	Additions	Deductions	Balance 6/30/06	Amounts Due in One Year
Compensated Absences	\$ 1,457,987	-	19,241	\$ 1,438,746	\$ 101,020
General Obligation Bonds Payable	20,184,975	-	385,000	19,799,975	395,000
Total Governmental Activities	\$ 21,642,962	-	404,241	\$ 21,238,721	\$ 496,020

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The District issued general obligation bonds for the construction and renovation of school buildings. The bonds have a variable interest rate ranging from 2.00% to 4.75% and mature in fiscal year 2032.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The District's debt service requirements at June 30, 2006 were as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate (%)</u>
2007	395,000	837,924	2.250
2008	425,000	828,699	2.250
2009	445,000	818,077	2.625
2010	470,000	805,421	3.250
2011	495,000	790,563	3.500
2012-2016	2,960,000	3,646,930	3.750 - 4.100
2017-2021	1,904,975	5,065,843	4.100 - 4.625
2022-2026	4,770,000	2,476,584	4.625 - 4.750
2027-2031	6,415,000	1,157,931	4.750
2032	<u>1,520,000</u>	<u>36,100</u>	4.750
Total	\$ <u>19,799,975</u>	\$ <u>16,464,072</u>	

The District's overall legal debt margin was \$24,347,385 with an unvoted debt margin of \$284,589 and an energy conservation debt margin of \$2,561,300 at June 30, 2006.

NOTE 14 - SHORT-TERM OBLIGATION

The following is a summary of the note activity for the School District for the year ended June 30, 2006:

	<u>Balance 6/30/05</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/06</u>
Tax Anticipation Note, 4.92%	\$ 137,000	-	(137,000)	\$ -
Tax Anticipation Note, 3.35%	<u>-</u>	<u>1,749,000</u>	<u>-</u>	<u>1,749,000</u>
Total	\$ <u>137,000</u>	<u>1,749,000</u>	<u>(137,000)</u>	\$ <u>1,749,000</u>

The District issued a five-year tax anticipation note on December 15, 2000 for permanent improvements to be made to the School District's stadium. The debt will be repaid from proceeds of a tax levy collected by the County Auditor.

On March 9, 2006, the District issued a five-year tax anticipation note for improvements, renovations and additions to the School District's buildings and to purchase equipment. The debt will be repaid from the proceeds of a tax levy collected by the County Auditor.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA \$91,206 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative

The District is a member of the Southwestern Ohio Educational Purchasing Cooperative (SOEPC). SOEPC is made up of nearly 100 school districts in 12 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 SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2006, the District paid \$116,101 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation organized to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2006, the District paid \$4,965 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council

The Clark County Family and Children First Council (the Council) is a voluntary association established for the purpose to coordinate and integrate services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of these services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The District does not pay dues since the Clark County Educational Service Center represents the District.

Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

Springfield/Clark County Joint Vocational School

The Springfield/Clark County Joint Vocational School District (the JVS) is a legally separate body politic and corporate. The Board of the JVS consists of one representative from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District and the Clark County Educational Service Center; and two members from the Springfield City School District. The Tecumseh Local

School District is not able to impose its will on the JVS and no financial benefit/burden relationship exists. The JVS Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the vocational school. During fiscal year 2006, the District did not contribute any money to the JVS. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pam Ashbaugh, who serves as Treasurer, at 1901 Selma Road, Springfield, Ohio 45505.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Tecumseh Education Foundation

The Tecumseh Education Foundation (TEF) is a non-profit community organization of business, civic, industry and educational interests whose purpose is to secure and distribute contributions to assist the District in enabling students to achieve their individual potential. The Board of Trustees is comprised of eleven representatives who are nominated and elected by a majority vote by the present trustees. One member of the Tecumseh Local School District Board of Education is designated annually by the Tecumseh Local School District Board to serve as one of the eleven trustees. Each of elected trustee serves a three year term, with one-third of the trustees being elected every year. The Superintendent of the District will serve in an ex officio capacity on a continuing basis. Officers of the TEF are elected annually by the Board of Trustees. The officers of the foundation shall consist of a President, a Vice-President, a Secretary, a Treasurer and other offices as the Board of Trustees may appoint. The President and Vice-President of the Board of Trustees shall be members of the Board of Trustees. The Secretary and Treasurer need not be members of the Board of Trustees.

The District is not able to impose its will on the TEF and no financial benefit/burden relationship exists. The TEF is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District did not contribute any money to the TEF during fiscal year 2006. To obtain financial information, write to the Tecumseh Educational Foundation, Rita Lane, who serves as President, at P.O. Box 305, New Carlisle, Ohio 45344.

Miami Valley Special Education Regional Resource Center

The Miami Valley Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty seven member board consisting of the superintendent of the thirty eight participating school districts and one representative from the University of Dayton. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sharon Kindred, Montgomery County Educational Service Center, 200 S. Keowee Street, Dayton, Ohio 45402.

NOTE 16 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the 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.

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Although the District had qualifying offsets and disbursements during the year that reduced the set-aside amount below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement of future years. Excess disbursements related to the textbook reserve may be carried forward from year to year. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2005	\$ (466,654)	\$ -	\$ 80,264
Current Year Set-aside Requirement	530,353	530,353	-
Qualifying Disbursements	(469,421)	(53,501,747)	-
Current Year Offsets	-	-	-
Total	<u>(405,722)</u>	<u>(52,971,394)</u>	<u>80,264</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$ <u>(405,722)</u>	\$ _____ -	\$ <u>80,264</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The portion of monies which had previously accumulated in the budget stabilization reserve that were not related to workers' compensation rebates received by the District, are now available for ordinary operating costs incurred by the District and therefore are reported as unreserved and undesignated fund balance in the General Fund. Current State statute requires the District to continue reporting funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent. As the District's budget stabilization account is comprised entirely of workers' compensation rebate funds, the entire \$80,264 is maintained on the governmental funds' balance sheet as a reservation of fund balance and restricted "equity in pooled cash and cash equivalents" in the General Fund.

NOTE 18 - CONTINGENCIES

A. Grants

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

TECUMSEH LOCAL SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 18 – CONTINGENCIES (Continued)

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

NOTE 19 – CONTRACT COMMITMENTS

At June 30, 2006 the District had the following contract commitments as a result of the District's participation in the School Facilities Commission Program:

<u>Contractor</u>	<u>Amount</u>
Active Electric	572,338
AIC Contracting, Inc.	157,980
Area Energy & Electric	2,290,299
C&T Design Equipment	508,760
Central Fire Protection	501,200
Element IV Interiors	220,038
ESCO Technologies	992,609
Farnham Equipment Co.	1,447,999
Griffith Sheet Metal	161,632
Howards Sheet Metal	1,476,065
Innovative Energy Solutions	463,029
Klechner Environmental	145,858
Kendell Construction	7,035,479
Lepi Environmental	1,308
Martin Public Seating	301,562
Microman, Inc.	493,642
Norwood Door & Hardware	204,001
Ohio Technical Services	109,452
Ohio Valley Integration	261,085
Peterson Const	2,959,448
Pittsburg Tank & Tower	57,636
Roger Storer & Sons	194,911
Saturn Electric	116,324
Settle Muter Electric	634,493
Shook Masonary	1,575,556
Slagle Mechanical	25,942
Staffco Construction	1,087,862
Starco, Inc	67,195
Stoemer Anderson	11,352
Thomas & Marker	2,339,917
Thomas Sexton & Assoc.	607,267
Thomas W. Ruff & Co.	352,256
Total Environment Services	31,165
TP Mechanical	1,479,084
Total	<u>\$ 28,884,744</u>

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Food Distribution Program	10.550	N/A		\$74,224		\$75,354
Nutrition Cluster:						
School Breakfast Program	10.553	05-PU-05 05-PU-06	\$15,385 89,562 <u>104,947</u>		\$15,385 89,562 <u>104,947</u>	
National School Lunch Program	10.555	LL-P1-06 LL-P4-05 LL-P4-06	4,933 65,496 347,820 <u>418,249</u>		4,933 65,496 347,820 <u>418,249</u>	
Total National School Lunch Program			<u>418,249</u>		<u>418,249</u>	
Total Nutrition Cluster			<u>523,196</u>		<u>523,196</u>	
Total U.S. Department of Agriculture			523,196	74,224	523,196	75,354
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-05 C1-S1-06	59,195 460,890 <u>520,085</u>		69,301 395,334 <u>464,635</u>	
Total Title I Grants to Local Educational Agencies			<u>520,085</u>		<u>464,635</u>	
Migrant Education State Grant Program	84.011	MG-S1-05 MG-S1-06	37,524 69,885 <u>107,409</u>		46,834 64,781 <u>111,615</u>	
Total Migrant Education State Grant Program			<u>107,409</u>		<u>111,615</u>	
Special Education Grants to States	84.027	6B-SD-05 6B-SD-06 6B-SF-05 6B-SF-06	17,994 46,230 695,333 <u>759,557</u>		2,264 17,274 66,433 <u>674,584</u>	
Total Special Education Grants to States			<u>759,557</u>		<u>760,555</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-06	16,477		16,477	
Twenty-First Century Community Learning Centers	84.287	T1-S1-05 T1-S1-06	8,724 111,925 <u>120,649</u>		8,270 110,872 <u>119,142</u>	
Total Twenty-First Century Community Learning Centers			<u>120,649</u>		<u>119,142</u>	
State Grants for Innovative Programs	84.298	C2-S1-06	10,395		10,395	
Education Technology State Grants	84.318	TJ-S1-06	12,227		10,219	
English Language Acquisition Grants	84.365	T3-S1-06 T3-S2-05 T3-S2-06	28,128 4,734 6,078 <u>38,940</u>		28,121 7,848 6,078 <u>42,047</u>	
Total English Language Acquisition Grants			<u>38,940</u>		<u>42,047</u>	
Improving Teacher Quality State Grants	84.367	TR-S1-05 TR-S1-06	16,970 145,302 <u>162,272</u>		23,228 141,085 <u>164,313</u>	
Total Improving Teacher Quality State Grants			<u>162,272</u>		<u>164,313</u>	
Total U.S. Department of Education			<u>1,748,011</u>		<u>1,699,398</u>	
Total Federal Financial Assistance			<u>\$2,271,207</u>	<u>\$74,224</u>	<u>\$2,222,594</u>	<u>\$75,354</u>

See accompanying notes to the Federal Awards Expenditures Schedule.

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – 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 market value of the commodities received.

NOTE C – CHILD 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 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.



**Auditor of State
Betty Montgomery**

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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tecumseh Local School District, Clark County, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Tecumseh Local School District
Clark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 26, 2006



Auditor of State Betty Montgomery

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

Tecumseh Local School District
Clark County
9760 West National Road
New Carlisle, Ohio 45344

To the Board of Education:

Compliance

We have audited the compliance of the Tecumseh Local School District, Clark 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 each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

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



Betty Montgomery
Auditor of State

December 26, 2006

**TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY**

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

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions 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)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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):	Child Nutrition Cluster (CFDA #10.553 & 10.555) Title I Grants to Local Educational Agencies (CFDA # 84.010)
<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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

TECUMSEH LOCAL SCHOOL DISTRICT
CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 25, 2007