



Dave Yost • Auditor of State



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Spencerville Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the 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.

These tables and the Schedule are management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 28, 2014

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The discussion and analysis of the Spencerville Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position increased \$530,409, mostly due to increased enrollment and efforts to reduce costs for the fiscal year.
- Outstanding debt decreased from \$5,581,511 to \$5,325,353 through principal payments made during the current year.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. 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. For fiscal year 2013, the General Fund is the School District's most significant funds.

***Basis of Accounting***

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

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The statement of net position and the statement of activities answer this question.

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

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund includes the General Fund.

**Governmental Funds** - All of 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 the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

***Reporting the School District's Fiduciary Responsibilities***

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to 2012.

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

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,908,055	\$4,377,646
Total Assets	<u>4,908,055</u>	<u>4,377,646</u>
<b>Net Position:</b>		
<b>Restricted for:</b>		
Capital Outlay	259,799	247,921
Debt Service	360,764	309,736
Other Purposes	431,076	403,762
Unrestricted	<u>3,856,416</u>	<u>3,416,227</u>
Total Net Position	<u>\$4,908,055</u>	<u>\$4,377,646</u>

Net position of the governmental activities increased \$530,409 which represents a 12 percent increase from fiscal year 2012. The increase is mostly due to increased enrollment and efforts to reduce costs for the fiscal year.

A portion of the School District's net position of \$1,051,639 or 21 percent represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$3,856,416 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2013 as compared to fiscal year 2012.

**(Table 2)  
Changes in Net Position – Cash Basis**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$991,926	\$994,266
Operating Grants, Contributions and Interest	776,106	697,948
Capital Grants, Contributions and Interest	152	11,593
Total Program Receipts	<u>1,768,184</u>	<u>1,703,807</u>
<b>General Receipts:</b>		
Property Taxes	2,344,207	2,365,512
Income Taxes	1,096,220	1,084,083
Grants and Entitlements not Restricted to Specific Programs	4,838,831	4,728,871
Proceeds from Sale of Capital Assets		6,081
Proceeds of General Obligation Bonds		4,523,907
Insurance Recoveries	11,397	
Premium on Debt Issuance		749,046
Investment Earnings	3,163	2,329
Miscellaneous	<u>23,858</u>	<u>72,826</u>
Total General Receipts	<u>8,317,676</u>	<u>13,352,655</u>
Total Receipts	<u>10,085,860</u>	<u>15,236,462</u>

(Continued)

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

**(Table 2)  
Changes in Net Position – Cash Basis  
(Continued)**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Program Disbursements:</b>		
<b>Instruction:</b>		
Regular	3,768,481	3,891,006
Special	938,465	1,036,437
Vocational	88,160	69,396
Adult/Continuing	5	
Other	397,485	355,851
<b>Support Services:</b>		
Pupils	502,155	487,137
Instructional Staff	161,520	211,287
Board of Education	52,899	40,441
Administration	635,842	651,979
Fiscal	345,922	350,124
Business	2,987	45
Operation and Maintenance of Plant	907,695	877,637
Pupil Transportation	546,199	689,857
Central	31,792	24,017
<b>Operation of Non-Instructional Services:</b>		
Food Service Operations	346,769	377,392
Other	24,873	36,931
Extracurricular Activities	336,455	312,418
Capital Outlay	74,419	119,403
<b>Debt Service:</b>		
Principal Retirement	365,925	230,925
Payment to Refunded Bond Escrow Agent		5,161,099
Interest and Fiscal Charges	37,433	254,810
Issuance Costs		111,854
Total Program Disbursements	<u>9,555,451</u>	<u>15,290,046</u>
Change in Net Position	530,409	(53,584)
Net Position Beginning of Year	<u>4,377,646</u>	<u>4,431,230</u>
Net Position End of Year	<u><u>\$4,908,055</u></u>	<u><u>\$4,377,646</u></u>

Operating grants, contributions and interest increased by 11 percent in fiscal year 2013 over the prior fiscal year; this was due to an increase in students and the increase in the statewide per pupil adjustment amount.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

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

**(Table 3)  
Governmental Activities – Cash Basis**

	<b>Total Costs of Services</b>		<b>Net Costs of Services</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Program Disbursements:</b>				
<b>Instruction:</b>				
Regular	\$3,768,481	\$3,891,006	\$2,979,739	\$3,172,551
Special	928,465	1,036,437	540,007	724,418
Vocational	88,160	69,396	73,592	53,503
Adult/Continuing	5		5	
Other	397,485	355,851	397,485	355,851
<b>Support Services:</b>				
Pupils	502,155	487,137	475,825	424,880
Instructional Staff	161,520	211,287	129,884	198,273
Board of Education	52,899	40,441	52,899	40,441
Administration	635,842	651,979	633,017	648,935
Fiscal	345,922	350,124	344,152	347,798
Business	2,987	45	2,987	45
Operation and Maintenance of Plant	907,695	877,637	875,252	844,417
Pupil Transportation	546,199	689,857	546,199	689,857
Central	31,762	24,017	31,762	24,017
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	346,769	377,392	(7,326)	(32,306)
Other	24,873	36,931	9,650	7,745
Extracurricular Activities	336,455	312,418	224,739	219,504
Capital Outlay	74,419	119,403	74,267	107,810
<b>Debt Service:</b>				
Principal Retirement	365,925	230,925	365,925	230,925
Payment to Refunded Bond Escrow Agent		5,161,099		5,161,099
Interest and Fiscal Charges	37,433	254,810	37,207	254,622
Issuance Costs		111,854		111,854
<b>Total</b>	<b><u>\$9,555,451</u></b>	<b><u>\$15,290,046</u></b>	<b><u>\$7,787,267</u></b>	<b><u>\$13,586,239</u></b>

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 19 percent of all governmental expenses; the community is the largest area of support for the School District students.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

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

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

The School District's governmental funds reported a combined fund balance of \$4,908,055, which is higher than the prior year balance of \$4,377,646.

The general fund had total cash receipts and other financing sources of \$8,527,488. The cash disbursements of the general fund totaled \$8,109,997. The general fund's fund balance increased \$417,491 in 2013. The increase in fund balance can be attributed mainly to increased receipts from taxes and intergovernmental which were not fully offset by increases in disbursements for instruction and support services.

***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 2013, the School District amended its general fund budget several times. For the general fund, final budget basis receipts (excluding other financing sources) were \$8,375,873, representing an increase of \$100 from the original estimate of \$8,375,773. Actual receipts of \$8,494,613 were \$118,740 higher than the final budget. Of this increase, most was attributable to an increase in intergovernmental receipts and tuition and fees.

For fiscal year 2013, the general fund final budget basis disbursements (excluding other financing uses) were \$9,009,692, which is greater than the original budgeted disbursements of \$8,815,922 by \$193,770. Actual disbursements of \$8,447,449 were \$562,243 lower than the final budget. Actual instruction, support services administration, operation and maintenance of plant and pupil transportation disbursements were significantly under budgeted expectations. This was due to disbursements that were fully appropriated and budgeted higher than usual to ensure for any possible increases in costs.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2013 and 2012.

**(Table 4)  
Outstanding Debt, at June 30**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Note Payable HB 264		\$30,925
2004 School Improvement Bonds	\$849,258	1,017,601
2012 Various Purpose Refunding Bonds	4,476,095	4,532,985
Total	\$5,325,353	\$5,581,511

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

***Current Issues***

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 23 percent of revenues for governmental activities for the Spencerville Local School District in fiscal year 2013.

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

The Spencerville Local School District does not anticipate any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. The bridge formula for state basic aid funding was effective for fiscal year 2013. State foundation funding represents approximately 53 percent of the School District's general fund revenue and is very significant to the School District.

The 5-year renewable 1 percent income tax was renewed on the November 2012 ballot for another five years (through December 31, 2017 collection). This tax has been a healthy and diverse income for the School District since 1993. This income has potential for growth and eases the burden on the agricultural community. Historically, the passage of this tax has been positive. Fiscal year 2013 income tax revenue made up 13 percent of general fund revenues.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The State economy is emerging from a record-making recession; the effects of the recession on the national, State and our local economy created a State deficit which required the State of Ohio to make nearly \$8 billion in reductions in the fiscal years 2012 and 2013 State biennium budget which translated into funding reductions for nearly every school district in Ohio.

The School District established a special revenue fund per ORC 5705.13 for Termination Benefits in a Board action during the regular April 2002 Board of Education meeting (Action#4-02-47). This fund is used for the payment of current and future severance pay. Transfers from the general fund are made periodically to keep the fund balance in tune with probable retirements of employees who become eligible for retirement either by age or service years for both certified and classified employees. Use of this fund therefore allows the School District to plan for the cost of retirements and designates those dollars as such. The current fund balance is reported as General/committed funds with the title of 'Severance Payments'.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future. Continuous monitoring of staff numbers and needs to fulfill our fluctuating student numbers is challenging and will be studied carefully with adjustments as needed.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)  
(Continued)**

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

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



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,908,055</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Outlay	259,799
Debt Service	360,764
Other Purposes	431,076
Unrestricted	<u>3,856,416</u>
Total Net Position	<u><u>\$4,908,055</u></u>

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$3,768,481	\$716,422	\$72,320		(\$2,979,739)
Special	928,465	41,244	347,214		(540,007)
Vocational	88,160		14,568		(73,592)
Adult/Continuing	5				(5)
Other	397,485				(397,485)
<b>Support Services:</b>					
Pupils	502,155		26,330		(475,825)
Instructional Staff	161,520		31,636		(129,884)
Board of Education	52,899				(52,899)
Administration	635,842		2,825		(633,017)
Fiscal	345,922	1,770			(344,152)
Business	2,987				(2,987)
Operation and Maintenance of Plant	907,695		32,443		(875,252)
Pupil Transportation	546,199				(546,199)
Central	31,762				(31,762)
<b>Operation of Non-Instructional Services:</b>					
Food Service Operations	346,769	139,335	214,760		7,326
Other	24,873	1,853	13,370		(9,650)
Extracurricular Activities	336,455	91,302	20,414		(224,739)
Capital Outlay	74,419			\$152	(74,267)
<b>Debt Service:</b>					
Principal Retirement	365,925				(365,925)
Interest and Fiscal Charges	37,433		226		(37,207)
Totals	<u>\$9,555,451</u>	<u>\$991,926</u>	<u>\$776,106</u>	<u>\$152</u>	<u>(7,787,267)</u>
<b>General Receipts:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					1,838,521
Debt Service					370,292
Capital Outlay					101,590
Building Maintenance					33,804
<b>Income Taxes Levied for:</b>					
General Purposes					1,096,220
Grants and Entitlements not Restricted to Specific Programs					4,838,831
Insurance Recoveries					11,397
Investment Earnings					3,163
Miscellaneous					23,858
Total General Receipts					<u>8,317,676</u>
Change in Net Position					530,409
Net Position Beginning of Year					<u>4,377,646</u>
Net Position End of Year					<u><u>\$4,908,055</u></u>

See accompanying notes to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,861,168	\$1,046,887	\$4,908,055
<b>Fund Balances:</b>			
Restricted		1,051,639	1,051,639
Committed	86,111		86,111
Assigned	3,054,983		3,054,983
Unassigned	720,074	(4,752)	715,322
Total Fund Balances	\$3,861,168	\$1,046,887	\$4,908,055

*See accompanying notes to the basic financial statements .*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property and Other Local Taxes	\$1,838,521	\$505,686	\$2,344,207
Income Taxes	1,096,220		1,096,220
Intergovernmental	4,801,540	776,457	5,577,997
Investment Income	3,163	504	3,667
Tuition and Fees	757,665		757,665
Extracurricular Activities	1,100	92,056	93,156
Gifts and Donations	2,825	33,763	36,588
Charges for Services	370	139,335	139,705
Rent	1,400		1,400
Miscellaneous	21,343	2,515	23,858
Total Receipts	<u>8,524,147</u>	<u>1,550,316</u>	<u>10,074,463</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	3,673,153	95,328	3,768,481
Special	607,051	321,414	928,465
Vocational	88,160		88,160
Adult/Continuing	5		5
Other	397,485		397,485
<b>Support Services:</b>			
Pupils	460,682	41,473	502,155
Instructional Staff	142,702	18,818	161,520
Board of Education	52,899		52,899
Administration	634,198	1,644	635,842
Fiscal	334,335	11,587	345,922
Business	2,987		2,987
Operation and Maintenance of Plant	872,210	35,485	907,695
Pupil Transportation	546,199		546,199
Central	31,762		31,762
Extracurricular Activities	229,372	107,083	336,455
<b>Operation of Non-Instructional Services:</b>			
Food Service Operations		346,769	346,769
Other	5,153	19,720	24,873
Capital Outlay		74,419	74,419
<b>Debt Service:</b>			
Principal Retirement	30,925	335,000	365,925
Interest and Fiscal Charges	719	36,714	37,433
Total Disbursements	<u>8,109,997</u>	<u>1,445,454</u>	<u>9,555,451</u>
Excess of Receipts Over Disbursements	<u>414,150</u>	<u>104,862</u>	<u>519,012</u>
<b>Other Financing Sources:</b>			
Insurance Recoveries	<u>3,341</u>	<u>8,056</u>	<u>11,397</u>
Net Change in Fund Balances	417,491	112,918	530,409
Fund Balances Beginning of Year	<u>3,443,677</u>	<u>933,969</u>	<u>4,377,646</u>
Fund Balances End of Year	<u><u>\$3,861,168</u></u>	<u><u>\$1,046,887</u></u>	<u><u>\$4,908,055</u></u>

See accompanying notes to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,907,029	\$1,907,029	\$1,838,521	(\$68,508)
Income Taxes	1,095,443	1,095,443	1,096,220	777
Intergovernmental	4,701,915	4,701,915	4,801,540	99,625
Investment Income	2,600	2,600	3,109	509
Tuition and Fees	661,085	661,085	732,110	71,025
Charges for Services	2,000	2,000	370	(1,630)
Rent	200	200	1,400	1,200
Miscellaneous	5,501	5,601	21,343	15,742
<b>Total Receipts</b>	<u>8,375,773</u>	<u>8,375,873</u>	<u>8,494,613</u>	<u>118,740</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,867,438	3,967,573	3,772,135	195,438
Special	751,345	739,728	654,187	85,541
Vocational	91,393	91,393	89,233	2,160
Adult/Continuing	1,001	1,001	5	996
Other	411,509	415,309	405,785	9,524
<b>Support Services:</b>				
Pupils	494,395	495,120	468,770	26,350
Instructional Staff	164,894	168,299	145,441	22,858
Board of Education	48,778	61,778	57,356	4,422
Administration	733,203	730,022	654,300	75,722
Fiscal	395,522	393,592	365,233	28,359
Business	402	4,352	3,865	487
Operation and Maintenance of Plant	971,214	996,242	955,585	40,657
Pupil Transportation	615,392	649,013	586,073	62,940
Central	26,492	32,887	31,867	1,020
Extracurricular Activities	211,300	231,693	225,924	5,769
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations		46	46	
<b>Debt Service:</b>				
Principal Retirement	30,925	30,925	30,925	
Interest and Fiscal Charges	719	719	719	
<b>Total Disbursements</b>	<u>8,815,922</u>	<u>9,009,692</u>	<u>8,447,449</u>	<u>562,243</u>
Excess of Receipts (Under) Disbursements	<u>(440,149)</u>	<u>(633,819)</u>	<u>47,164</u>	<u>680,983</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	2,100	2,000		(2,000)
Refund of Prior Year Disbursements	150	150		(150)
Other Financing Uses	(2,675,000)	(2,451,228)		2,451,228
Insurance Recoveries	1,000	1,000	3,341	2,341
Advances Out	(1,000)	(1,000)		1,000
Transfers In	500,000	500,000		(500,000)
Transfers Out	(56,500)	(86,500)	(86,236)	264
<b>Total Other Financing Sources (Uses)</b>	<u>(2,229,250)</u>	<u>(2,035,578)</u>	<u>(82,895)</u>	<u>1,952,683</u>
Net Change in Fund Balance	(2,669,399)	(2,669,397)	(35,731)	2,633,666
Fund Balance Beginning of Year	3,129,925	3,129,925	3,129,925	
Prior Year Encumbrances Appropriated	260,344	260,344	260,344	
<b>Fund Balance End of Year</b>	<u>\$720,870</u>	<u>\$720,872</u>	<u>\$3,354,538</u>	<u>\$2,633,666</u>

See accompanying notes to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$99,575	\$35,080
Total Assets	99,575	35,080
<b>Net Position:</b>		
Held in Trust for Scholarships	5,820	
Held for Student Activities		35,080
Endowment	93,755	
Total Net Position	\$99,575	\$35,080

*See accompanying notes to the basic financial statements.*

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$143
Interest	70
Miscellaneous	1,225
Total Additions	<u>1,438</u>
<b>Deductions:</b>	
Scholarships	<u>2,275</u>
Change in Net Position	(837)
Net Position Beginning of Year	<u>100,412</u>
Net Position End of Year	<u><u>\$99,575</u></u>

*See accompanying notes to the basic financial statements.*

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

The Foundation was organized under the nonprofit corporation law of Ohio to operate exclusively for the benefit of the School District. The Foundation receives and administers donations for educational and public charitable purposes for which the School District was formed. The Foundation is governed by a nine member board of trustees. Two trustees shall at all times be members of the Board of Education, appointed by the Board of Education. One trustee shall at all times be the Superintendent of the School District, one trustee shall at all times be the Treasurer of the School District, and one trustee shall at all times be the Guidance Counselor of the School District. One trustee shall at all times be a representative selected by the Spencerville Chamber of Commerce and another selected by the Spencerville Parent-Teacher Organization. The remaining two Trustees shall be elected at the annual meeting of the Members.

The School District is associated with six jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Career Center, the West Central Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., the Spencerville, Perry, and Bath Local Professional Development Committee, Southwestern Ohio Educational Purchasing Council, Sheakley Uniservice, Inc, and the Allen County Schools Health Benefit Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Accounting**

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

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

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

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

**B. Basis of Presentation**

**1. Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds.

The Statement of Net Position presents the cash and cash equivalent balance of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct disbursements and program receipts for each function of the governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function.

Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions.

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**2. Fund Financial Statements**

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

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

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

**C. Fund Accounting**

The School District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

**1. Governmental Funds/Governmental Activities**

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

**General Fund** – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**2. Fiduciary Fund Types**

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

**D. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

The Allen County Budget Commission has waived the requirement that school districts adopt and submit a tax budget. In lieu of the tax budget, school districts are required to submit the five-year forecast, the current bond estimated fund balance, and bond amortization schedules.

**2. Estimated Resources**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

**3. Appropriations**

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

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund's appropriations must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**E. Cash and Cash Equivalents**

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

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

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

During fiscal year 2013, investments were limited to STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2013 were \$3,163, which included \$143 assigned from other School District funds.

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

The School District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying cash basis financial statements. Depreciation is not recorded on these capital assets.

**I. Accumulated Leave**

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**J. Long-Term Obligations**

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

**K. Equity Classifications**

**1. Government-Wide Statements**

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

**1. Restricted net position** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2013, there was no net position restricted by enabling legislation.

**2. Unrestricted net position** – All other net position that does not meet the definition of “restricted.”

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

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

**a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

**b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

**c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**L. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and state reimbursement type grants are recorded as receipts when the grant is received.

**M. Interfund Activity**

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

**N. Receipts and Disbursements**

**1. Program Receipts**

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

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



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**2. Disbursements**

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

**O. Changes in Accounting Principles**

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets. The only financial statement impact was the reporting of net assets as net position. There was not impact on opening or ending balances.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School District.

**3. DEPOSITS AND INVESTMENTS**

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

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All such securities must be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in duly authorized depositories of the School District, provided those deposits are properly insured or collateralized as required by law;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of securities described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that (i) investments in securities described in this division are made with a bank or savings and loan association eligible to be a depository for public funds of Ohio subdivisions, and (ii) such fund meets the requirements of Chapter 135 of the Revised Code (including the requirement that the fund not contain any investment in "derivatives");
6. The State Treasurer's Investment Pool (STAROhio and STAR Plus);
7. Overnight or term (not exceeding 30 days) repurchase agreements meeting the requirements of Section 135.14(E) of the Revised Code, with (i) a bank or savings and loan association eligible to be a depository of public funds of Ohio subdivisions, or (ii) NASD member;
8. Commercial paper rated in the highest credit rating by at least two nationally recognized credit rating agencies and subject to the transactions of Section 135.14 of the Revised Code;
9. Bankers Acceptance subject to the restrictions of Section 135.14 of the Revised Code.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, contracting to sell securities that have not yet been acquired on speculation that bond prices will decline, the use of current investment assets as collateral to purchase other assets, leverage and short selling are also prohibited. Investments in a fund established by another country, subdivision, treasurer or governing board for the purpose of investing the public funds of the subdivisions, other than STAROhio and funds established to acquire, construct, lease or operate a municipal utility are not allowed. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize uninsured public deposits. The School District has no deposit policy for custodial risk beyond the requirements of State statute.

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

As of June 30, 2013 the School District had \$150 in un-deposited cash on hand. This amount is included in pooled cash and cash equivalents.

At fiscal year-end, the carrying amount of the School District's deposits was \$413,570, and the bank balance was \$558,266. Of the entire bank balance, \$493,631 was covered by federal depository insurance. The remaining bank balance was uninsured but collateralized.

**B. Investments**

Investments are reported at carrying value. As of June 30, 2013, the School District had the following investments:

	<b>Carrying Value</b>	<b>Investment Maturities 0-1 Years</b>
STAR Ohio	<u>\$4,628,990</u>	<u>\$4,628,990</u>

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**C. Interest Rate Risk**

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio to be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

**D. Custodial Credit Risk**

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

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

**E. Credit Risk**

The School District has no investment policy dealing with credit risk beyond the requirements in state statutes. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2013, is 58 days and carries a credit rating of AAAm by Standard and Poor's.

**F. Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. All of the School District's investments are in STAROhio.

**4. 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.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Allen, Auglaize and Van Wert Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<b>2012 Second-Half Collections</b>		<b>2013 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$98,211,600	96.2%	\$100,037,370	96.2%
Public Utility	3,845,750	3.8%	3,978,580	3.8%
Total Assessed Value	<u>\$102,057,350</u>	<u>100.0%</u>	<u>\$104,015,950</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$33.85		\$32.75	

**5. INCOME TAXES**

The School District renewed a tax levy of one percent for general operations on the income of residents and of estates. The renewed tax was effective on January 1, 2013, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**6. DIESEL SCHOLARSHIP FUND**

The Diesel Scholarship Fund was established on November 7, 1967 through a trust agreement. Qualified students borrow amounts, determined yearly, dependent on the ability of the fund to pay for the costs of higher education. Repayments begin after termination of college attendance. At the close of fiscal year 2013, there were twelve students with a total outstanding principal balance of \$15,940. Of the balance, \$7,940 represents the portion that is collectable. The remaining \$8,000 is deferred until the students either complete or leave post-secondary schooling. The fund balance is reported with other Private Purpose Trust balances on the Statement of Fiduciary Net Position.

**7. RISK MANAGEMENT**

**A. Public Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

As of February 2013, the School District contracted with Selective Insurance Company (through the Southwestern Ohio Educational Purchasing Council) for property and contents insurance.

Property coverage amounted to \$42,857,000. The School District has a \$1,000 deductible on this coverage. Flood and Earthquake coverage is included (\$1 million each).

General liability is protected by Selective Insurance Company, (through the Southwestern Ohio Educational Purchasing Council) with \$1,000,000 limit each occurrence and \$3,000,000 aggregate limit. There is no deductible on general coverage.

Vehicles are covered by Selective Insurance Company (through the Southwestern Ohio Educational Purchasing Council) with a \$1,000 deductible. Automobile liability has a \$1,000,000 limit per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years. Replacement coverage option is included.

Directors and Officers with Employment Practices Liability Insurance for the School District is provided by RSUI Indemnity Company with a \$1,000,000 limit of liability. The School District carries a \$500,000 Employee Dishonesty Crime Bond on all employees except the Treasurer. This covers the Board of Education as well.

The School District carries a \$5,000,000 Umbrella policy with Lexington Insurance Company that is in excess of the General Liability, Auto Liability and Directors and Officers liability policies.

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

**B. Workers Compensation**

For fiscal year 2013, the School District participated in the Sheakley Uniservice, Inc. Workers Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 16). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

The School District pays the State's Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This equity pooling arrangement insures that each participant share equally in the overall performance of the Plan.

**C. Employee Medical Benefits**

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

**8. PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$135,757, \$134,650 and \$155,062, respectively; 40 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

**B. State Teachers Retirement System**

**Plan Description** - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. 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 a member's lifetime 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

member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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.

Funding Policy - For fiscal year 2013, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. 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, 2013, 2012 and 2011 were \$498,142, \$473,183 and \$507,579, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$11,958 made by the School District and \$8,542 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, five members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$18,081, \$22,810, and \$18,775, respectively; 40 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was .74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$7,669, \$7,983, and \$9,979, respectively; 40 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

**Plan Description** - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$38,319, \$36,399, and \$39,045, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	<b>Outstanding 6/30/2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Outstanding 6/30/2013</b>	<b>Due Within One Year</b>
Note Payable HB 264, 4.65%	\$30,925		\$30,925		
2004 School Improvement Bonds:					
Term, 3.3 – 5.125%	655,000		210,000	\$445,000	\$220,000
Capital Appreciation	151,991			151,991	
Capital Accretion	210,610	\$41,657		252,267	
<b>2012 Various Purpose Refunding Bonds:</b>					
Serial and Term, 1.0 – 3.125%	4,440,000		125,000	4,315,000	80,000
Capital Appreciation	83,907			83,907	
Accretion on Capital Appreciation Bonds	9,078	68,110		77,188	
<b>Total Long-Term Obligations</b>	<b>\$5,581,511</b>	<b>\$109,767</b>	<b>\$365,925</b>	<b>\$5,325,353</b>	<b>\$300,000</b>

**Note Payable HB 264** - On February 2, 1998, the School District issued \$463,876 in energy conservation improvement notes in accordance with House Bill 264. The notes were issued to finance modification, installation and remodeling of school buildings for the purpose of reducing energy consumption and thereby reducing current expenses of the School District. The notes were issued for a period of fifteen years with final maturity paid on December 1, 2012. The notes were retired from the General Fund.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**Various Purpose Refunding Bonds** - In April 2012, the School District issued \$4,523,907 in voted general obligation bonds for the purpose of refunding a portion of the 2004 School Improvement Bonds originally issued in the aggregate principal amount of \$6,806,991 for the purpose of constructing, improving, and making additions to school buildings and related site development. The refunding bond issue consists of \$4,440,000 in serial and term bonds, and \$83,907 in capital appreciation bonds. The serial and term bonds have interest rates ranging from 0.90 to 3.125 percent. The serial and term bonds mature annually beginning December 1, 2012 and ending December 1, 2031. Capital appreciation bonds in the amount of \$83,907 will accrete interest at rates from 1.75 to 2.05 percent. The capital appreciation bonds mature December 1, 2015, 2016 and 2017 in the amounts of \$315,000, \$320,000 and \$315,000, respectively. The bonds will be retired from the debt service fund.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$4,735,000 of the 2004 bond issue. The advance refunding reduced cash flows required for debt service by \$567,239 over the next 20 years and resulted in an economic gain of \$437,063. As a result, the refunded bonds are considered to be defeased and the School District no longer has liabilities associated with those bonds.

The capital appreciation bonds will mature in fiscal years 2016 through 2018. The maturity amounts of the bonds are \$315,000, \$320,000 and \$315,000, respectively. Capital appreciation bonds are not subject to redemption prior to maturity. At June 30, 2013, the accreted value of the capital appreciation bonds was \$161,095. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**2004 School Improvement Bonds** – In June, 2004, the School District issued \$6,806,991 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$695,000, \$5,960,000, and \$151,991 respectively. In April, 2012 a portion of the bonds were defeased by the issuance of various purpose refunding bonds. The remaining bonds are being retired with a voted property tax levy from the debt service fund.

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

The Capital Appreciation Bonds will mature in fiscal years 2019 through 2021. Capital Appreciation Bonds are not subject to redemption prior to maturity. During the fiscal year 2013, the accretion for the Capital Appreciation Bonds was \$41,657 for an accreted value of \$404,258 at June 30, 2013. The maturity amounts of the remaining term bonds are \$210,000 and \$225,000 for the years 2014 and 2015.

Payment requirements to retire the bonds at June 30, 2013 are as follows:

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Fiscal Year Ending June 30,	2004 Issue		2012 Issue		Interest/ Accretion	Total
	Term	Capital Appreciation	Term and Serial	Capital Appreciation		
2014	\$220,000		\$80,000		\$354,998	\$654,998
2015	225,000		80,000		345,478	650,478
2016				\$43,741	384,725	428,466
2017				25,622	407,844	433,466
2018				14,544	413,922	428,466
2019-2023		\$151,991	805,000		1,200,808	2,157,799
2024-2028			1,750,000		369,566	2,119,566
2029-2032			1,600,000		101,053	1,701,053
Total	\$445,000	\$151,991	\$4,315,000	\$83,907	\$3,578,394	\$8,574,292

**11. OPERATING LEASES**

The School District was obligated under an operating lease agreement with Perry Corporation for copiers for a period of 5 years beginning June 17, 2009. In February, 2012 the School District turned in the old copiers and contracted for 8 copiers, 1 fax, and 1 Riso machine under an operating lease for a period of 5 years. The minimum requirement of the new lease is 2,520,000 copies in each 12 month period at \$0.0119 per black and white copy and \$0.045 per color copy, for a total of 12,600,000 copies per lease. During fiscal year 2013, \$32,904 was paid on these leases.

The School District is obligated under a 63 month operating lease agreement that began October, 2010 with Hasler Mailing Systems for a postage meter. Total lease payments to Hasler Mailing Systems (Mail Finance) during fiscal year 2013 were \$2,104.

The estimated future lease payments are as follows:

Year Ending June 30,	Copier Lease	Postage Meter
2014	\$38,328	\$2,295
2015	38,328	2,295
2016	38,328	576
2017	25,552	
Totals	\$140,536	\$5,166

**12. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**12. CONTINGENCIES (Continued)**

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**13. STATUTORY RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. 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 fiscal year-end set-aside amounts for capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2013, the restricted activity was as follows:

	<b>Capital Acquisition</b>
Set Aside Reserve Balance June 30, 2012	
Current Year Set Aside Requirement	\$160,997
Current Year Qualifying Disbursements	(25,603)
Current Year Offsets	(135,394)
Total	\$0
Balance Carried Forward to Fiscal Year 2014	\$0
Set Aside Reserve Balance June 30, 2013	\$0

**14. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<b>General</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Restricted for:</b>			
Capital Improvements		\$259,799	\$259,799.00
Debt Service		360,764	360,764
Maintenance		182,076	182,076
Food Service Operations		178,352	178,352
Instructional		32,108	32,108
Student Activities		38,540	38,540
Total Restricted		1,051,639	1,051,639

(Continued)

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**14. FUND BALANCE (Continued)**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>Committed to:</b>			
Test Fees	\$31		31
Severance Payments	81,554		81,554
Educational Supplies	4,526		4,526
Total Committed	86,111		86,111
<b>Assigned for:</b>			
Instruction	219,553		219,553
Support Services Subsequent Year	196,103		196,103
Appropriations	2,639,327		2,639,327
Total Assigned	3,054,983		3,054,983
Unassigned	720,074	(4,752)	715,322
Total Fund Balance	\$3,861,168	\$1,046,887	\$4,908,055

**15. JOINTLY GOVERNED ORGANIZATIONS**

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

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

**West Central Regional Professional Development Center (The “Center”)** - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and, in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

**Spencerville, Perry, and Bath Local Professional Development Committee (The Committee)** - The Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each District, along with two administrators from the member Districts chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the Districts and used for the renewal of certificates and licenses. As of June 30, 2011 there was no financial information available for this committee.

**Southwestern Ohio Educational Purchasing Council (SOEPC)** – The SOEPC is a purchasing cooperative made up of 53 school districts in 18 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 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. Six months prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments go SOEPC are made from the general fund. During fiscal year 2013, the School District paid \$54,720 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**16. GROUP INSURANCE PURCHASING POOLS**

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

**Allen County Schools Health Benefit Plan (the Plan)** - The Allen County Schools Health Benefit Plan is a jointly governed organization among eleven school districts and the Allen County Educational Service Center. The purpose of the jointly governed organization was to form a voluntary employee benefit association to provide sick, dental, and vision benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the fund trustee for insurance coverage which is currently provided by Allied Benefit Systems. The Plan is governed by an administrative committee consisting of the superintendent from each participating district.

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**16. GROUP INSURANCE PURCHASING POOLS (Continued)**

The degree of control exercised by any participating school district is limited to each representation on the committee. Financial information can be obtained from Karla Wireman, who serves as Treasurer, at 1920 Slabtown Road, Lima, Ohio 45801.

**17. BUDGETARY BASIS OF ACCOUNTING**

The statement of cash receipts, disbursements and changes in fund balance – budget and actual (budget basis), presented for the 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 the cash basis are that:

(a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,

(b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the cash basis for the general fund is as follows:

<u>Net Change in General Fund Balance</u>	
	<u>General Fund</u>
Budget Basis	\$ (35,731)
Funds Budgeted Elsewhere**	40,048
Adjustment for Encumbrances	413,174
Cash Basis	<u>\$ 417,491</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting” certain funds that are legally budgeted in separate special revenue funds, are considered to be part of the General fund on a cash basis. This includes Uniform school supplies, Rotary, and Termination benefits.

**18. COMPLIANCE**

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



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**19. ENCUMBRANCE COMMITMENTS**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$415,656
Non-Major Governmental Funds	<u>238,059</u>
	<u>\$653,715</u>

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**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
(Passed through Ohio Department of Education)					
<b>Child Nutrition Cluster:</b>					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$5,670		\$5,670
National School Lunch Program	10.555		34,830		34,830
Cash Assistance:					
School Breakfast Program	10.553	\$34,512		\$34,512	
National School Lunch Program	10.555	176,060		176,060	
Total Nutrition Cluster		<u>210,572</u>	<u>40,500</u>	<u>210,572</u>	<u>40,500</u>
Total U.S. Department of Agriculture		<u>210,572</u>	<u>40,500</u>	<u>210,572</u>	<u>40,500</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
(Passed through Ohio Department of Education)					
Title 1 Grants to Local Educational Agencies	84.010	198,012		181,022	
Special Education Grants to States	84.027	175,531		168,724	
Improving Teacher Quality State Grants	84.367	39,672		37,262	
Race to the Top Incentive Grants, Recovery Act	84.395	34,164		31,138	
Total U.S. Department of Education		<u>447,379</u>		<u>418,146</u>	
Total Federal Assistance		<u>\$657,951</u>	<u>\$40,500</u>	<u>\$628,718</u>	<u>\$40,500</u>

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - PASS THROUGH FUNDS**

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center. For 2013 the School District's allocation was as follows:

- Early Childhood Special Education, IDEA – CFDA# 84.173.....\$2,953



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Spencerville Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 28, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 28, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Spencerville Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Spencerville Local School District's major federal programs for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Spencerville Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 28, 2014



**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: School Breakfast Program – CFDA #10.553 and National School Lunch Program – CFDA #10.555  Title I Grants to Local Educational Agencies – CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2013-001**

**Noncompliance / Finding for Recovery-Repaid Under Audit**

**Ohio Rev. Code Section 117.01(E)** defines "public official" as "any officer, employee, or duly authorized representative or agent of a public office." In turn, "public office" as defined by Ohio Rev. Code Section 117.01(D) is "any state agency, public institution, political subdivision, or other organized body, office, agency, institution, or entity established by the laws of this state for the exercise of any function of government." Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

The School District's Future Farmers of America (FFA) Club operated a vending machine in which it sold food and drink products for \$1 each. In 2013, the School District purchased 3,220 items to be sold in the vending machine which would result in sales of \$3,220. No inventory records were maintained and all of the items were sold during the year. A review of the School District's ledgers for the period of July 2012 through October 2013 showed that only \$2,092 was deposited from the sale of these products, which resulted in a shortage of receipts in the amount of \$1,128. Dan Schmiesing was the advisor for the FFA Club during this time period.

In accordance with the foregoing facts and pursuant to Ohio Revised Code 117.28 a Finding for Recovery for public monies unaccounted for is hereby issued against Dan Schmiesing, FFA Advisor, and his bonding company, Selective Insurance Company, jointly and severally, in the amount of \$1,128 in favor of the Future Farmers of America (FFA) Fund.

The School District should utilize resources such as "Guidelines for Student Activity Programs" found on the Auditor of State website at [https://ohioauditor.gov/publications/guidelines\\_student\\_programs.pdf](https://ohioauditor.gov/publications/guidelines_student_programs.pdf) to develop controls and procedures over fund raising activities. In addition, when properly completed and approved by School District personnel, the use of sales project potential forms to account for the income (actual and projected) from sales projects conducted by student activity programs is an effective tool to aid in the timely identification of errors and/or irregularities.

This finding for recovery was repaid, in the amount of \$1,128, on March 11, 2014, by Dan Schmiesing with check number 1759. Receipt number 33240 in the amount of \$1,128 was recorded in the Future Farmers of America (FFA) Fund.

**OFFICIALS' RESPONSE:** The vending machine sales have been discontinued per instructions of the Treasurer to the Advisor. It is noted that the machine has been abused and even pulled from the wall mounts. The area location of this machine is not covered by security cameras. The advisor was cooperative with internal and state audit processing. Inventory security, cash handling/duality along with weekly reconciliations was discussed in depth.

**FINDING NUMBER 2013-002**

**Noncompliance Citation**

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

**Ohio Admin. Code Section 117-2-03 (B)** requires all schools to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its financial statements according to generally accepted accounting principles to provide the users with more meaningful and complete financial statements.

**OFFICIALS' RESPONSE:** The Spencerville Board of Education passed Action #4-12-31 when a 3 year agreement was signed with REA & Associates for accounting services of FY12, FY13, and FY14. The action stated: "It is the board's understanding that by reporting in the cash basis format and in issuing the School's financial statements in the format required by GASB34, the audit will result in a qualified opinion and probably will have a penalty for not reporting under GAAP." This district has been through issuance of bonds, credit rating reevaluations, refinance of bonds and every day normal school district business. Therefore it is noted that the lack of GAAP reporting has not affected all these business transactions and therefore the time and cost of GAAP reporting is deemed too expensive.

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

**SPENCERVILLE LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Ohio Rev. Code 5705.13 (C) – a building project fund established under this Code Section existed with an available balance after the allowable 10 year period.	Yes	Fund 070 was closed by transferring the balance back to General Fund from which the money came from.
2012-02	Ohio Rev. Code Section 117.38 and Ohio Admin Code 117-2-03(B) – Failure to file financial statements in accordance with Generally Accepted Accounting Principles(GAAP)	No	Repeated as 2013-002



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Spencerville School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus". Ohio Rev. Code Section 3313.666 required the Board to amend its policy by November 4, 2012.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 28, 2014

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# Dave Yost • Auditor of State

**SPENCERVILLE LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 1, 2014**