



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

FOR THE FISCAL YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants.....	1
General Purpose External Financial Statements:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	16
Statement of Fiduciary Net Assets - Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	18
Notes to the Basic Financial Statements.....	19
Schedule of Federal Awards Receipts and Expenditures	43
Notes to the Schedule of Federal Awards Receipts and Expenditures	44
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Report of Independent Accountants on Compliance with Requirements Applicable to the Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings	49

This page left intentionally blank



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Elgin Local School District
Marion County
4616 LaRue-Prospect Road
Marion, Ohio 43302

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2002, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* and increased its capitalization threshold for fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

December 10, 2002

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The discussion and analysis of Elgin Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2002 are as follows:

In total, net assets increased \$354 thousand, indicating a relatively insignificant change from the prior fiscal year. Intergovernmental revenue represented the largest amount of this increase and was primarily due to adjustments in funding factors for foundation money established in House Bill 94 and an increase in the base cost per pupil. The increase in future fiscal years will not be as large.

General revenues accounted for \$9,300 thousand, or 82 percent of all revenues, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

In June 2002, the Ohio Schools Facilities Commission approved the School District's facilities plan. A proposed 8.65 mill levy to generate approximately \$20 million for the School District's portion of construction costs for a new high school and renovations to the current high school for junior high use failed on the November 2002 ballot. The levy will again be placed on the ballot during 2003.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Elgin Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column. For Elgin Local School District, the General Fund is the most significant fund.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2002. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District discloses a single type of activity:

Governmental Activities - All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2002 compared to fiscal year 2001:

Table 1
Net Assets
(In Thousands)

	Governmental Activities	
	2002	2001
<u>Assets:</u>		
Current and Other Assets	\$9,731	\$9,177
Capital Assets, Net	1,631	1,700
Total Assets	11,362	10,877
<u>Liabilities:</u>		
Current and Other Liabilities	4,227	4,137
Long-Term Liabilities	670	630
Total Liabilities	4,897	4,767
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	1,607	1,668
Restricted	472	395
Unrestricted	4,385	4,047
Total Net Assets	\$6,464	\$6,110

Total assets increased \$485 thousand. The increase is primarily due to increases in equity in pooled cash and cash equivalents of \$254 thousand, property taxes receivable of \$221 thousand, and accounts receivable of \$10 thousand.

The total liabilities increase of \$130 thousand is due to increases in accounts payable, accrued wages payable, and compensated absences payable. The increase in accounts payable is the result of several factors, including the purchase of computers delivered near the end of the fiscal year, food service operations for May and June, the installation of doors at the junior high, asbestos removal, a survey of high school ground for a classroom facilities study, and the purchase of supplies for the Ohio Reads program. The increase in accrued wages and compensated absences are due to normal salary increases, increases in sick and vacation balances, and the result of additional employees meeting the eligibility requirements for retirement.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Table 2 reflects the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets
(In Thousands)

	Governmental Activities 2002
<u>Revenues</u>	
Program Revenues:	
Charges for Services and Sales	\$975
Operating Grants, Contributions, and Interest	917
Capital Grants, Contributions, and Interest	83
Total Program Revenues	1,975
General Revenues:	
Property Taxes	4,025
Grants and Entitlements	5,096
Interest	140
Miscellaneous	39
Total General Revenues	9,300
Total Revenues	11,275
 <u>Expenses</u>	
Instruction	6,237
Support Services:	
Pupils and Instructional Staff	841
Board of Education, Administration, and Fiscal	1,303
Operation and Maintenance of Plant	1,091
Pupil Transportation	651
Non-Instructional Services	539
Extracurricular Activities	255
Interest and Fiscal Charges	4
Total Expenses	10,921
Increase in Net Assets	\$354

Program revenues account for 18 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The major program expenses for governmental activities are for instruction, which accounts for 57 percent of all governmental expenses. Other programs which support the instruction process, including pupils and instructional staff and pupil transportation account for 14 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 10 percent. Therefore, over 80 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to fiscal year 2001 have not been made since they are not available.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services 2002	Net Cost of Services 2002
Instruction	\$6,237	\$5,138
Support Services:		
Pupils and Instructional Staff	841	709
Board of Education, Administration, and Fiscal	1,303	1,303
Operation and Maintenance of Plant	1,091	1,077
Pupil Transportation	651	591
Non-Instructional Services	539	(12)
Extracurricular Activities	255	136
Interest and Fiscal Charges	4	4
Total Expenses	\$10,921	\$8,946

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 82 percent of instruction activities are supported through taxes and other general revenues. Non-instructional services had program revenues in excess of expenses of \$12 thousand for the fiscal year. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service, and charges for school age child care. For all governmental activities, support from general revenues is 82 percent. It is apparent that the community, as a whole, is the primary support for Elgin Local School District students.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$11,187 thousand and expenditures \$10,811 thousand. The net positive change of \$376 thousand in fund balance for the year indicates that the School District is able to meet current operating costs.

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 2002, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$10,023 thousand, were above original budgeted revenues, in the amount of \$8,830 thousand. Of this \$1,193 thousand difference, most was due to conservative estimates in revenues for state foundation, parity aid, and open enrollment.

Final expenditures were budgeted at \$10,649 thousand while actual expenditures were \$10,113 thousand. The \$536 thousand difference primarily comes from the intention of contracting for roof repairs and windows that did not occur as well as the intention of placing classrooms in an area church that would have resulted in additional costs to get the classrooms ready for occupancy. Instead, the School District purchased classroom modulars which resulted in greater capital outlay than originally budgeted. The School District also over appropriated for a new school bus and did not experience as many bus repairs as seen in previous years.

Actual General Fund revenues were less than expenditures by \$144 thousand. The difference can largely be attributed to recording encumbrances for regular instruction, operation and maintenance of plant, and capital outlay which are reflected as expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2002, the School District had \$1,631 thousand invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$69 thousand, or 4 percent.

The primary decrease in capital assets for governmental activities was the result of disposals and annual depreciation exceeding additions for the fiscal year. Additions included routine computer and computer related purchases, maintenance equipment, and a school bus. Disposals primarily consisted of a school bus, computer related equipment, and student furniture.

Debt

At June 30, 2002, the School District had an outstanding capital lease, in the amount of \$23,703. The lease is being paid from the Food Service special revenue fund with final maturity in fiscal year 2005.

At June 30, 2002, the School District's overall legal debt margin was \$13,103,151 with an unvoted debt margin of \$145,591.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Current Issues

Elgin Local School District remains stable in the state of a declining economy and uncertainty in State funding. Elgin Local School District is a residential/farming community currently experiencing some residential growth. As a result, the School District expects moderate growth in both residential students and open enrollment. The School District's leading employer, Whirlpool Corporation, has continued to have a strong labor force.

Over the past several years, the School District has maintained a good financial position. In 1992, the School District passed a five-year emergency levy to generate \$850,000, and has renewed it twice. This levy provides a continuous source of funds for a financial cushion. The School District has also been able to benefit from open enrollment from other school districts. The School District has generated approximately \$500,000 from open enrollment during the past two fiscal years.

On August 19, 2002, the Board of Education voted unanimously to place an 8.65 mill levy on the November 2002 ballot for constructing a new high school (9-12) and renovating the current high school for junior high use (6-8). This levy will generate 20 million dollars over a twenty-seven year period as the School District's part of the Ohio Schools Facilities Commission approved plan. The money generated by this levy is only available for construction, not the day-to-day operations of the school. This will also allow us the opportunity to convert the junior high school in Green Camp to an elementary building (4-5) and make the current elementary buildings K-3 until we become eligible for additional State money in 6 to 10 years. Along with the 27 year, 8.65 mill levy for construction, a required .5 mills will be added for operating expenses. While the School District's first attempt to pass the levy failed in November 2002, the levy will again be placed on the ballot during 2003.

Elgin is continuing to address the needs of the exceptional students in our School District (special education and gifted education). While we have tried to be very efficient in sharing programs with other school districts, the costs of this sharing has made it necessary for us to evaluate those programs and look for alternatives to not only keep these students in our School District but to use our money more efficiently.

The School District is creating a land lab to be used for biology classes to study the natural habitat of plant and animal life. This lab is located on the grounds of the Elgin High School, and was made possible with the help of Mr. Beaver and Mr. Long (science and biology teachers), by applying for and receiving a \$60,000 State grant.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Ethel Wheeler, Treasurer, Elgin Local School District, 4616 Larue-Prospect Road, Marion, Ohio 43302.

**Elgin Local School District
Marion County
Statement of Net Assets
June 30, 2002**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,317,371
Cash and Cash Equivalents with Fiscal Agent	402
Accounts Receivable	10,673
Intergovernmental Receivable	64,528
Prepaid Items	135,748
Inventory Held for Resale	11,505
Materials and Supplies Inventory	62,699
Property Taxes Receivable	4,128,285
Nondepreciable Capital Assets	120,433
Depreciable Capital Assets, Net	1,510,237
Total Assets	<u>11,361,881</u>
 <u>Liabilities:</u>	
Accounts Payable	80,557
Accrued Wages and Benefits Payable	990,912
Intergovernmental Payable	243,030
Matured Compensated Absences Payable	12,130
Deferred Revenue	2,900,475
Long-Term Liabilities:	
Due Within One Year	42,410
Due in More Than One Year	627,690
Total Liabilities	<u>4,897,204</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	1,606,967
Restricted For:	
Debt Service	41
Capital Projects	85,300
Other Purposes	386,801
Unrestricted	4,385,568
Total Net Assets	<u>\$6,464,677</u>

See Accompanying Notes to Basic Financial Statements

**Elgin Local School District
Marion County
Statement of Activities
For the Fiscal Year Ended June 30, 2002**

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities	
	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest		
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$5,292,571	\$511,835	\$70,544	\$26,216	(\$4,683,976)
Special	651,738	0	429,022	0	(222,716)
Vocational	232,537	0	61,062	0	(171,475)
Adult/Continuing	7,909	0	0	0	(7,909)
Other	52,061	0	0	0	(52,061)
Support Services:					
Pupils	442,568	0	132,444	0	(310,124)
Instructional Staff	398,844	0	0	0	(398,844)
Board of Education	18,023	0	0	0	(18,023)
Administration	980,842	0	0	0	(980,842)
Fiscal	304,015	0	0	0	(304,015)
Operation and Maintenance of Plant	1,091,276	0	0	14,000	(1,077,276)
Pupil Transportation	650,920	8,979	8,547	42,627	(590,767)
Non-Instructional Services	538,878	350,698	200,046	0	11,866
Extracurricular Activities	255,146	103,244	15,711	0	(136,191)
Interest and Fiscal Charges	3,663	0	0	0	(3,663)
Total Governmental Activities	\$10,920,991	\$974,756	\$917,376	\$82,843	(8,946,016)

General Revenues:

Property Taxes Levied for General Purposes	4,025,299
Grants and Entitlements not Restricted to Specific Programs	5,095,587
Interest	139,882
Miscellaneous	39,362
Total General Revenues	9,300,130

Change in Net Assets 354,114

Net Assets Beginning of Year (Restated Note 3) 6,110,563
Net Assets End of Year \$6,464,677

See Accompanying Notes to the Basic Financial Statements

**Elgin Local School District
Marion County
Balance Sheet
Governmental Funds
June 30, 2002**

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,828,062	\$258,773	\$5,086,835
Cash and Cash Equivalents			
with Fiscal Agent	0	402	402
Accounts Receivable	8,277	2,396	10,673
Interfund Receivable	100	0	100
Intergovernmental Receivable	33,328	31,200	64,528
Prepaid Items	133,195	2,553	135,748
Inventory Held for Resale	0	11,505	11,505
Materials and Supplies Inventory	59,901	2,798	62,699
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	230,536	0	230,536
Property Taxes Receivable	4,128,285	0	4,128,285
Total Assets	<u>\$9,421,684</u>	<u>\$309,627</u>	<u>\$9,731,311</u>
<u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$67,393	\$13,164	\$80,557
Interfund Payable	0	100	100
Accrued Wages and Benefits Payable	966,553	24,359	990,912
Intergovernmental Payable	162,681	3,954	166,635
Matured Compensated Absences Payable	12,130	0	12,130
Deferred Revenue	3,153,412	727	3,154,139
Total Liabilities	<u>4,362,169</u>	<u>42,304</u>	<u>4,404,473</u>
<u>Fund Balances:</u>			
Reserved for Property Taxes	983,921	0	983,921
Reserved for Textbooks	90,609	0	90,609
Reserved for Capital Improvements	96,817	0	96,817
Reserved for Budget Stabilization	43,110	0	43,110
Reserved for Encumbrances	202,228	10,916	213,144
Unreserved, Reported in:			
General Fund	3,642,830	0	3,642,830
Special Revenue Funds	0	171,107	171,107
Capital Projects Funds	0	85,300	85,300
Total Fund Balances	<u>5,059,515</u>	<u>267,323</u>	<u>5,326,838</u>
Total Liabilities and Fund Balances	<u>\$9,421,684</u>	<u>\$309,627</u>	<u>\$9,731,311</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Marion County
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2002

Total Governmental Fund Balances		\$5,326,838
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		1,630,670
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:		
Accounts Receivable	8,893	
Intergovernmental Receivable	882	
Property Taxes Receivable	243,889	
		253,664
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.		(76,395)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Compensated Absences Payable	(646,397)	
Capital Leases Payable	(23,703)	
		(670,100)
Net Assets of Governmental Activities		\$6,464,677

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Marion County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2002

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,940,068	\$0	\$3,940,068
Intergovernmental	5,499,917	573,792	6,073,709
Interest	139,882	2,614	142,496
Tuition and Fees	482,827	0	482,827
Extracurricular Activities	9,690	86,319	96,009
Charges for Services	0	332,300	332,300
Gifts and Donations	0	15,907	15,907
Miscellaneous	69,218	34,389	103,607
Total Revenues	<u>10,141,602</u>	<u>1,045,321</u>	<u>11,186,923</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	5,107,966	110,453	5,218,419
Special	515,528	126,223	641,751
Vocational	231,310	0	231,310
Adult/Continuing	0	7,909	7,909
Other	52,061	0	52,061
Support Services:			
Pupils	304,654	136,472	441,126
Instructional Staff	350,173	37,191	387,364
Board of Education	18,047	0	18,047
Administration	949,134	19,325	968,459
Fiscal	297,310	2,058	299,368
Operation and Maintenance of Plant	1,102,075	20,370	1,122,445
Pupil Transportation	613,340	1,136	614,476
Non-Instructional Services	0	542,713	542,713
Extracurricular Activities	165,420	79,368	244,788
Capital Outlay	2,745	5,817	8,562
Debt Service:			
Principal Retirement	0	8,818	8,818
Interest and Fiscal Charges	0	3,663	3,663
Total Expenditures	<u>9,709,763</u>	<u>1,101,516</u>	<u>10,811,279</u>
Excess of Revenues Over (Under) Expenditures	<u>431,839</u>	<u>(56,195)</u>	<u>375,644</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	88,823	88,823
Transfers Out	(88,823)	0	(88,823)
Total Other Financing Sources (Uses)	<u>(88,823)</u>	<u>88,823</u>	<u>0</u>
Net Change in Fund Balances	343,016	32,628	375,644
Fund Balances at Beginning of Year (Restated Note 3)	<u>4,716,499</u>	<u>234,695</u>	<u>4,951,194</u>
Fund Balances at End of Year	<u>\$5,059,515</u>	<u>\$267,323</u>	<u>\$5,326,838</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Marion County
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2002

Net Change in Fund Balances - Total Governmental Funds \$375,644

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current year:

Capital Outlay	122,134	
Depreciation	(163,187)	
	(41,053)	(41,053)

The cost of disposed capital assets is removed from the statement of net assets and offset against accumulated depreciation resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(28,745)
------------------------------------	--	----------

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	85,231	
Intergovernmental	787	
Tuition and Fees	(2,280)	
Extracurricular Activities	179	
Charges for Services	548	
Miscellaneous	3,717	
	88,182	88,182

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

8,818

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	617	
Compensated Absences Payable	(49,349)	
	(48,732)	(48,732)

Change in Net Assets of Governmental Activities		\$354,114
---	--	-----------

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Marion County
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2002

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<u>Revenues:</u>				
Property Taxes	\$3,784,861	\$3,968,220	\$3,807,776	(\$160,444)
Intergovernmental	4,359,820	5,369,274	5,498,677	129,403
Interest	145,000	145,000	139,882	(5,118)
Tuition and Fees	500,200	500,200	482,827	(17,373)
Extracurricular Activities	11,000	11,000	9,690	(1,310)
Miscellaneous	29,000	28,850	29,424	574
Total Revenues	<u>8,829,881</u>	<u>10,022,544</u>	<u>9,968,276</u>	<u>(54,268)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,136,481	5,211,998	5,162,175	49,823
Special	498,700	522,915	508,525	14,390
Vocational	269,340	258,785	238,156	20,629
Other	30,000	73,800	57,061	16,739
Support Services:				
Pupils	315,750	346,379	313,094	33,285
Instructional Staff	347,967	352,483	343,824	8,659
Board of Education	20,080	27,080	21,390	5,690
Administration	1,059,850	1,064,084	987,786	76,298
Fiscal	326,700	335,090	305,226	29,864
Operation and Maintenance of Plant	1,291,292	1,495,855	1,280,084	215,771
Pupil Transportation	773,900	659,858	618,110	41,748
Extracurricular Activities	179,600	180,600	162,527	18,073
Capital Outlay	8,000	119,888	114,633	5,255
Total Expenditures	<u>10,257,660</u>	<u>10,648,815</u>	<u>10,112,591</u>	<u>536,224</u>
Excess of Revenues				
Under Expenditures	<u>(1,427,779)</u>	<u>(626,271)</u>	<u>(144,315)</u>	<u>481,956</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	2,000	2,534	534
Other Financing Sources	0	7,000	6,906	(94)
Advances In	20,000	0	44,082	44,082
Advances Out	(22,000)	(22,000)	(4,237)	17,763
Transfers Out	(34,500)	(115,500)	(88,823)	26,677
Total Other Financing Sources (Uses)	<u>(36,500)</u>	<u>(128,500)</u>	<u>(39,538)</u>	<u>88,962</u>
Net Change in Fund Balance	(1,464,279)	(754,771)	(183,853)	570,918
Fund Balance at Beginning of Year	4,428,996	4,428,996	4,428,996	0
Prior Year Encumbrances Appropriated	360,268	360,268	360,268	0
Fund Balance at End of Year	<u>\$3,324,985</u>	<u>\$4,034,493</u>	<u>\$4,605,411</u>	<u>\$570,918</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Marion County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$10,037	\$24,781
<u>Liabilities:</u>		
Due to Students	0	24,781
<u>Net Assets:</u>		
Held in Trust for Students	\$10,037	

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Marion County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2002

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$260
<u>Deductions:</u>	
Non-Instructional Services	500
Change in Net Assets	(240)
Net Assets at Beginning of Year	10,277
Net Assets at End of Year	\$10,037

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1960. The School District serves an area of approximately one hundred sixty-four square miles. It is located in Delaware, Hardin, and Marion Counties. The School District is the 341st largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by fifty-two classified employees, one hundred eleven certified teaching personnel, and nine administrative employees who provide services to 1,708 students and other community members. The School District currently operates two elementary schools, a junior high school, a high school, and an administration building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Elgin 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. As of June 30, 2002, there are no component units of the Elgin Local School District.

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, North Central Ohio Special Education Regional Resource Center, Northwestern Ohio Educational Research Council, Inc., North Central Regional Professional Development Center, Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's only major fund is the General Fund.

Note 2 - Summary of Significant Accounting Policies (continued)

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available 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 whose use are restricted to a particular purpose.

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

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

E. Budgetary Process

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

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. 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.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. 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".

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2002, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 was \$139,882, which includes \$6,105 assigned from other School District funds.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used on the government-wide financial statements, or recorded as an expenditure when used on the fund financial statements.

Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for textbooks, capital improvements, and budget stabilization.

J. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	50 years
Building and Building Improvements	50 - 100 years
Furniture, Fixtures, and Equipment	5 - 50 years
Vehicles	10 - 20 years

Note 2 - Summary of Significant Accounting Policies (continued)

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as “Interfund Receivables/Payables”. Interfund balances within governmental activities are eliminated on the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees who have accumulated unpaid leave are paid.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

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

O. Net Assets

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

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

P. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

R. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

A. Change in Accounting Principles

For fiscal year 2002, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the full accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

For fiscal year 2002, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$250 to \$1,500. As a result, net fixed assets decreased \$364,066, from \$2,064,534 to \$1,700,468.

B. Restatement of Fund Balance

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 3 - Change in Accounting Principles and Restatement of Fund Balance (continued)

The transition from governmental fund balance to net assets of governmental activities is as follows:

	General Fund	Other Governmental Funds	Total Governmental Activities
Fund Balance June 30, 2001	\$4,716,499	\$251,278	\$4,967,777
GASB Statement No. 34 Adjustment:			
Change in Fund Structure	0	(16,583)	(16,583)
Adjusted Fund Balance	\$4,716,499	\$234,695	\$4,951,194
GASB Statement No. 34 Adjustments:			
Accounts Receivable			6,729
Intergovernmental Receivable			95
Property Taxes Receivable			158,658
Capital Assets			1,700,468
Intergovernmental Payable			(77,012)
Compensated Absences Payable			(597,048)
Capital Leases Payable			(32,521)
Governmental Activities Net Assets at June 30, 2001			\$6,110,563

Note 4 - Accountability

At June 30, 2002, the EMIS, Title VI-B, and Reducing Class Size special revenue funds had deficit fund balances, in the amount of \$1,207, \$1,211, and \$2,308, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 5 - Budgetary Basis of Accounting (continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Change in Fund Balance	
GAAP Basis	\$343,016
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	852,592
Accrued FY 2002, Not Yet Received in Cash	(1,016,478)
Expenditure Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(1,139,038)
Accrued FY 2002, Not Yet Paid in Cash	1,208,757
Prepaid Items	(24,033)
Materials and Supplies Inventory	4,673
Advances In	44,082
Advances Out	(4,237)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(453,187)
Budget Basis	(\$183,853)

Note 6 - Deposits and Investments

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

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

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

Note 6 - Deposits and Investments (continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 6 - Deposits and Investments (continued)

At fiscal year end, the School District had \$210 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

At fiscal year end, the School District had \$402 in cash and cash equivalents held by the North Central Ohio Educational Service Center, which is included as “Cash and Cash Equivalents with Fiscal Agent”. The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

At fiscal year end, the carrying amount of the School District’s deposits was (\$222,441) and the bank balance was \$31,350, all of which was covered by federal depository insurance.

The School District’s investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the School District’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District’s name. The School District’s investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2002, the fair value of funds on deposit with STAR Ohio was \$5,574,420.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”. A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$5,352,591	\$0
Cash on Hand	(210)	0
Cash and Cash Equivalents with Educational Service Center	(402)	0
Investments:		
STAR Ohio	(5,574,420)	5,574,420
GASB Statement No. 3	(\$222,441)	\$5,574,420

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 7 - Receivables

Receivables at June 30, 2002, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$33,328
Other Governmental Funds	
Food Service	31,100
County Teacher Grant	100
Total Other Governmental Funds	31,200
Total Intergovernmental Receivables	\$64,528

Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the next fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 8 - Property Taxes (continued)

The School District receives property taxes from Delaware, Hardin, and Marion Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$983,921 in the General Fund. The amount available as an advance at June 30, 2001, was \$851,629 in the General Fund.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$77,750,730	56.66%	\$89,856,460	61.72%
Industrial/Commercial	15,417,500	11.24	13,777,750	9.46
Public Utility	11,830,860	8.62	11,413,650	7.84
Tangible Personal	32,215,540	23.48	30,542,710	20.98
Total Assessed Value	<u>\$137,214,630</u>	<u>100.00%</u>	<u>\$145,590,570</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.30		\$37.85	

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$120,433	\$0	\$0	\$120,433
Depreciable Capital Assets				
Land Improvements	48,326	0	0	48,326
Buildings and Building Improvements	1,084,043	0	0	1,084,043
Furniture, Fixtures, and Equipment	873,138	63,388	(110,889)	825,637
Vehicles	1,153,855	58,746	(47,488)	1,165,113
Total Depreciable Capital Assets	<u>3,159,362</u>	<u>122,134</u>	<u>(158,377)</u>	<u>3,123,119</u>

(continued)

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 9 - Capital Assets (continued)

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Less Accumulated Depreciation				
Land Improvements	(19,621)	(966)	0	(20,587)
Buildings and Building Improvements	(422,206)	(10,926)	0	(433,132)
Furniture, Fixtures, and Equipment	(514,126)	(60,470)	104,086	(470,510)
Vehicles	(623,374)	(90,825)	25,546	(688,653)
Total Accumulated Depreciation	<u>(1,579,327)</u>	<u>(163,187)</u>	<u>129,632</u>	<u>(1,612,882)</u>
Depreciable Capital Assets, Net	<u>1,580,035</u>	<u>(41,053)</u>	<u>(28,745)</u>	<u>1,510,237</u>
Governmental Activities Capital Assets, Net	<u>\$1,700,468</u>	<u>(\$41,053)</u>	<u>(\$28,745)</u>	<u>\$1,630,670</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$47,250
Special	1,172
Vocational	780
Support Services:	
Pupils	768
Instructional Staff	417
Administration	996
Fiscal	200
Operation and Maintenance of Plant	11,422
Pupil Transportation	89,051
Non-Instructional Services	3,505
Extracurricular Activities	7,626
Total Depreciation Expense	<u>\$163,187</u>

Note 10 - Interfund Assets/Liabilities

At June 30, 2002, the General Fund had an interfund receivable from other governmental funds, in the amount of \$100, as a result of an interfund loan used to provide cash flow resources until the receipt of grant monies.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 11 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Fire Damage	500,000

Coverage provided by Nationwide Insurance is as follows:

Automobile Liability	2,000,000
Uninsured Motorists	2,000,000

Coverage provided by Indiana Insurance is as follows:

Building and Contents/Boiler and Machinery	22,690,263
Inland Marine Coverage	240,616

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.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP 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 GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 12 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$459,563, \$436,627, and \$269,532, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$75,490, is recorded as a liability.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$59,179, \$42,917, and \$45,560, respectively; 41 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$34,988, is recorded as a liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$217,688.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$109,150 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 14 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 14 - Employee Benefits (continued)

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty days for all school personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-five days for all employees.

B. Health Care Benefits

The School District offers health and dental insurance to most employees through Medical Mutual of Ohio. In addition, the School District offers life insurance through Medical Life Insurance Company. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

Note 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Compensated Absences Payable	597,048	83,682	34,333	646,397	31,693
Capital Leases Payable	32,521	0	8,818	23,703	10,717
Total Governmental Activities Long-Term Obligations	<u>\$629,569</u>	<u>\$83,682</u>	<u>\$43,151</u>	<u>\$670,100</u>	<u>\$42,410</u>

Compensated absences will be paid from the General Fund and the Food Service, Education Management Information Systems, and Title I special revenue funds. Capital leases will be paid from the Food Service special revenue fund.

The School District's overall debt margin was \$13,103,151 with an unvoted debt margin of \$145,591 at June 30, 2002.

Note 16 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2002 were \$8,818.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 16 - Capital Leases - Lessee Disclosure (continued)

	Governmental Activities
Property under Capital Lease	\$47,902
Less Accumulated Depreciation	(5,063)
Total June 30, 2002	\$42,839

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	Governmental Activities
2003	\$13,216
2004	13,214
2005	735
Subtotal	27,165
Less Amount Representing Interest	(3,462)
Present Value of Net Minimum Lease Payments	\$23,703

Note 17 - Set Asides

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 purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2001	\$30,899	\$114,839	\$43,110
Current Year Set Aside Requirement	206,644	206,644	0
Qualifying Expenditures	(146,934)	(224,666)	0
Balance June 30, 2002	\$90,609	\$96,817	\$43,110

The total reserve balance for the set asides at the end of the fiscal year was \$230,536.

Note 18 - Interfund Transfers

During fiscal year 2002, the General Fund made transfers to other governmental funds, in the amount of \$88,823, to subsidize various programs in other funds.

Note 19 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2002, the School District paid \$56,560 to TRECA for various services. Financial information can be obtained from Mike Carder, who serves as Director, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Terril Martin, who serves as Treasurer, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-six member board including the superintendent from the participating school districts. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

Note 19 - Jointly Governed Organizations (continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (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.

E. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one 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 Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

Note 20 - Insurance Pools

A. Ohio School Plan

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

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group insurance purchasing pool.

Note 20 - Insurance Pools (continued)

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 21 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution was not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 22 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS & EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$49,905	\$0	\$48,450
School Breakfast Program	48413 05-PU-2002	10.553	5,674	0	5,674	0
National School Lunch Program	48413 LL-P1/P4-2002	10.555	100,548	0	100,548	0
Summer Food Service for Children	48413 23/24-PU-2001	10.559	4,834	0	4,834	0
Total U.S. Department of Agriculture - Nutrition Cluster			111,056	49,905	111,056	48,450
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	48413 6B-SF-2001 48413 6B-SF-2002	84.027	0 146,771	0 0	1,200 146,771	0 0
Total Special Education Grants to States			146,771	0	147,971	0
Safe and Drug Free Schools & Communities State Grants	48413 DR-S1-2001 48413 DR-S1-2002	84.186	0 6,828	0 0	73 4,092	0 0
Total Safe and Drug-Free Schools and Communities - State Grants			6,828	0	4,165	0
Title I Grants to Local Educational Agencies	48413 C1-S1-2001 48413 C1-S1-2002	84.010	0 94,347	0 0	11,347 84,957	0 0
Total Title I Grants to Local Educational Agencies			94,347	0	96,304	0
Innovative Educational Program Strategies	48413 C2-S1-2001 48413 C2-S1-2002	84.298	0 8,998	0 0	2,352 3,328	0 0
Total Innovative Educational Program Strategies			8,998	0	5,680	0
Eisenhower Professional Development State Grants	48413 MS-S1-2001 48413 MS-S1-2002	84.281	0 7,327	0 0	2421 7,278	0 0
Total Eisenhower Professional Development State Grants			7,327	0	9,699	0
Reducing Class Size	48413 CR-S1-2001 48413 CR-S1-2002	84.340	0 31,975	0 0	1,889 28,826	0 0
Total Reducing Class Size			31,975	0	30,715	0
School Renovation, Idea, & Tech	48413-ATS1-2002	84.352	2,988	0	2,988	0
Total U.S. Department of Education			299,234	0	297,522	0
Total Federal Awards			\$410,290	\$49,905	\$408,578	\$48,450

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES FOR THE
YEAR ENDED JUNE 30, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Elgin Local School District
Marion County
4616 LaRue-Prospect Road
Marion, Ohio 43302

To the Board of Education:

We have audited the financial statements of Elgin Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2002, wherein we noted the District adopted Government Accounting Standards Board Statement No. 34 and increased its capitalization threshold for fixed assets, and have issued our report thereon dated December 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 10, 2002.

Elgin Local School District
Marion County
Report Of Independent Accountants On Compliance And On
Internal Control Required By government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

JIM PETRO
Auditor of State

December 10, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

Elgin Local School District
Marion County
4616 LaRue-Prospect Road
Marion, Ohio 43302

To the Board of Education:

Compliance

We have audited the compliance of Elgin Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

December 10, 2002

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ELGIN LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 7, 2003**