



Mary Taylor, CPA
Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
General Purpose External Financial Statements	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Fiduciary Net Assets – Fiduciary Funds	18
Statement of Change in Fiduciary Net Assets – Private Purpose Trust Fund	19
Notes to the Basic Financial Statements	21
Federal Awards Receipts and Expenditures Schedule	45
Notes to the Federal Awards Receipts and Expenditures Schedule	46
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	49
Schedule of Findings	51
Independent Accountants' Report on Applying Agreed-Upon Procedures	53

THIS PAGE INTENTIONALLY LEFT BLANK



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

December 1, 2009

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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, 2009. 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.

Highlights

Highlights for fiscal year 2009 are as follows:

In total, net assets decreased \$318,264 or 10 percent. The School District continues to dip into the cash carryover to finance current fiscal year operations. Cash carryover spending has occurred in each of the last seven fiscal years. Reductions were made in fiscal year 2009 and will be made again in fiscal year 2010 to reduce the carryover spending.

General revenues accounted for almost 75 percent of total revenues and continues to reflect the School District's significant dependence on property taxes and unrestricted State entitlements.

House Bill 66, adopted in June 2005, called for major changes in Ohio's tax law. This legislation eliminated the tangible personal property tax, which was phased out over four years at approximately 25 percent per year beginning in 2006.

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.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009. 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

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, all of the School District's programs and services are reported as governmental activities including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

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

Governmental Funds - All 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.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 and fiscal year 2008:

	Table 1 Net Assets		
	2009	Governmental Activities 2008	Change
<u>Assets:</u>			
Current and Other Assets	\$5,224,226	\$5,927,618	(\$703,392)
Capital Assets, Net	2,468,425	2,578,950	(110,525)
Total Assets	<u>7,692,651</u>	<u>8,506,568</u>	<u>(813,917)</u>
			(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Table 1
Net Assets
(continued)

	Governmental Activities		
	2009	2008	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$3,896,735	\$4,351,130	\$454,395
Long-Term Liabilities	909,618	950,876	41,258
Total Liabilities	<u>4,806,353</u>	<u>5,302,006</u>	<u>495,653</u>
<u>Net Assets:</u>			
Invested in Capital Assets	2,468,425	2,578,950	(110,525)
Restricted	495,125	502,164	(7,039)
Unrestricted (Deficit)	(77,252)	123,448	(200,700)
Total Net Assets	<u>\$2,886,298</u>	<u>\$3,204,562</u>	<u>(\$318,264)</u>

The table above denotes several significant changes from the prior fiscal year. The first, the decrease in current and other assets of over \$700,000, or almost 12 percent. This decrease is primarily the result of a decrease in cash and cash equivalents and reflects continued cash carryover spending to finance current fiscal year operations. For current and other assets, there was also a decrease in taxes receivable, in part resulting from the elimination by the State of tangible personal property taxes; however, there was also an increase in intergovernmental receivables reflecting the State's agreement to reimburse this loss for a period of time. Also note the decrease in current and other liabilities of a little over \$450,000. A portion of this decrease is reflected in deferred revenue and corresponds to the decrease in taxes receivable. In addition, there was a decrease in intergovernmental payables as payments to the State pension systems were reduced as a result of lower total salaries for fiscal year 2009.

Table 2 reflects the change in net assets for fiscal year 2009 and fiscal year 2008.

Table 2
Change in Net Assets

	Governmental Activities		
	2009	2008	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,976,416	\$1,858,992	\$117,424
Operating Grants, Contributions, and Interest	1,475,700	1,573,564	(97,864)
Capital Grants, Contributions, and Interest	37,937	29,890	8,047
Total Program Revenues	<u>3,490,053</u>	<u>3,462,446</u>	<u>27,607</u>

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Change
	2009	2008	
<u>Revenues (continued)</u>			
<u>General Revenues</u>			
Property Taxes	\$3,442,411	\$3,978,197	(\$535,786)
Payment in Lieu of Taxes	0	210,000	(210,000)
Grants and Entitlements	6,740,646	6,663,935	76,711
Interest	37,521	98,401	(60,880)
Gifts and Donations	6,542	4,259	2,283
Miscellaneous	39,023	159,624	(120,601)
Total General Revenues	<u>10,266,143</u>	<u>11,114,416</u>	<u>(848,273)</u>
Total Revenues	<u>13,756,196</u>	<u>14,576,862</u>	<u>(820,666)</u>
<u>Expenses</u>			
<u>Instruction:</u>			
Regular	6,963,182	7,460,835	497,653
Special	1,457,520	1,074,719	(382,801)
Vocational	76,741	269,408	192,667
<u>Support Services:</u>			
Pupils	673,313	747,856	74,543
Instructional Staff	447,211	482,334	35,123
Board of Education	29,744	34,121	4,377
Administration	1,114,121	1,249,303	135,182
Fiscal	405,396	372,235	(33,161)
Operation and Maintenance of Plant	1,095,458	1,223,007	127,549
Pupil Transportation	868,216	903,230	35,014
Non-Instructional Services	601,198	637,402	36,204
Extracurricular Activities	342,360	382,114	39,754
Total Expenses	<u>14,074,460</u>	<u>14,836,564</u>	<u>762,104</u>
Decrease in Net Assets	<u>(318,264)</u>	<u>(259,702)</u>	<u>(58,562)</u>
Net Assets at Beginning of Year	<u>3,204,562</u>	<u>3,464,264</u>	<u>(259,702)</u>
Net Assets at End of Year	<u>\$2,886,298</u>	<u>\$3,204,562</u>	<u>(\$318,264)</u>

Program revenues were approximately 25 percent of total revenues (very similar to the prior fiscal year) and consist of charges for tuition and fees, food service sales, extracurricular activities admissions, and restricted intergovernmental revenues. While, in total, program revenues did not change significantly from the prior fiscal year, general revenues decreased almost 8 percent. This reduction is primarily reflected in less property taxes (reflects the elimination of tangible personal property taxes) and a decrease in the payment in lieu of taxes. This revenue consists of tax revenues the School District would have otherwise received had tax exemption agreements not been entered into by Marion County and various developers/businesses. This revenue is to be recognized in full in the initial year of the agreement.

The 5 percent decrease in expenses is the result of staff reductions and overall conservative spending efforts made by the School District.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

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, 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.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$6,963,182	\$7,460,835	\$5,315,736	\$5,858,942
Special	1,457,520	1,074,719	401,977	44,215
Vocational	76,741	269,408	49,480	248,888
Support Services:				
Pupils	673,313	747,856	668,313	742,450
Instructional Staff	447,211	482,334	447,211	482,334
Board of Education	29,744	34,121	29,744	34,121
Administration	1,114,121	1,249,303	1,114,121	1,249,303
Fiscal	405,396	372,235	405,396	372,235
Operation and Maintenance of Plant	1,095,458	1,223,007	1,083,458	1,211,007
Pupil Transportation	868,216	903,230	842,524	885,968
Non-Instructional Services	601,198	637,402	(20,740)	(38,087)
Extracurricular Activities	342,360	382,114	247,187	282,742
Total Expenses	<u>\$14,074,460</u>	<u>\$14,836,564</u>	<u>\$10,584,407</u>	<u>\$11,374,118</u>

The total cost of services and the net cost of services for fiscal year 2009 remained comparable to fiscal year 2008. The dependence on property taxes and unrestricted state entitlements continues to be significant. For fiscal year 2009 general revenues provided support for 75 percent of governmental activities. The two programs which receive generous support from program revenues are special instruction (73 percent) due to restricted grants for special education purposes and non-instructional services (100 percent). This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service, as well as charges for school age child care. The extracurricular activities program also received moderate support from program revenues (28 percent). These resources consist of music and athletic fees, ticket sales, and gate receipts for musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Again in fiscal year 2009, the General Fund experienced a fairly significant decrease in fund balance. This decrease of 49 percent in fiscal year 2009 and 42 percent in fiscal year 2008 is the result of continued deficit (cash carryover) spending.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

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 fiscal year 2009, the School District amended its General Fund budget as needed.

For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$2,468,425 invested in capital assets (net of accumulated depreciation) for governmental activities, a 4 percent decrease from the prior fiscal year. The most significant addition related to the completion of the Sandusky Plains Environmental Education Center. Disposals were not significant. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2009, the School District's only long-term obligation was for compensated absences. Compensated absences will be paid from the General Fund and from the Food Service and Title I special revenue funds. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

Elgin Local School District is a residential/farming community. The School District has seen a decline in student enrollment and this is expected to continue. Historical patterns show the graduating classes continue to be larger than the kindergarten classes coming into the School District. The School District's leading employer, Whirlpool Corporation, has continued to have a strong labor force.

The School District 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, in coordination with twenty-three collaborating community partners, opened an outdoor learning center called the Sandusky Plains Environmental Education Center (SPEEC) in September 2008. The SPEEC is located on the Elgin High School campus and is adjacent to the 5,500 acre Big Island Wildlife Area. This entire project was supported by a \$60,000 State Capital Improvement Grant (received in 2005), \$46,070 Ohio Environmental Education Grant (received in 2005), \$130,000 pledged by the School District, \$10,000 from the USDA Farm Service Agency, and multiple other donations. The SPEEC has the potential to be a state of the art environmental educational facility that will serve all of central Ohio.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

On May 5, 2009, the voters of the School District approved a .75 percent income tax. This income tax is a continuing tax to be collected only on earned income. This additional revenue will provide for operational needs of the School District. The current emergency levy (\$852,970) will be up for renewal in 2010.

On November 3, 2009, voters of the School District approved a 7.49 mill bond issue for 28 years, for the purpose of constructing and equipping new school buildings through the Ohio School Facilities Commission (OSFC). Also approved by voters with this issue was an additional 1 mill continuous tax levy for the purpose of acquiring, constructing, enlarging, renovating, and financing permanent improvements for the School District.

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 Kimberly Reynolds, Treasurer, Elgin Local School District, 4616 Larue-Prospect Road, Marion, Ohio 43302.

THIS PAGE INTENTIONALLY LEFT BLANK

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$937,478
Accounts Receivable	21,300
Intergovernmental Receivable	342,872
Prepaid Items	41,162
Inventory Held for Resale	19,310
Materials and Supplies Inventory	30,667
Property Taxes Receivable	3,649,437
Payment in Lieu of Taxes Receivable	182,000
Nondepreciable Capital Assets	120,433
Depreciable Capital Assets, Net	<u>2,347,992</u>
Total Assets	<u>7,692,651</u>
 <u>Liabilities:</u>	
Accounts Payable	29,773
Accrued Wages and Benefits Payable	1,124,399
Matured Compensated Absences Payable	53,173
Separation Benefits Payable	40,000
Intergovernmental Payable	328,805
Deferred Revenue	2,320,585
Long-Term Liabilities:	
Due Within One Year	47,260
Due in More Than One Year	<u>862,358</u>
Total Liabilities	<u>4,806,353</u>
 <u>Net Assets:</u>	
Invested in Capital Assets	2,468,425
Restricted For:	
Capital Projects	648
Debt Service	41
Set Asides	8,731
Food Service	233,901
Athletic and Music	53,681
Other Purposes	198,123
Unrestricted (Deficit)	<u>(77,252)</u>
Total Net Assets	<u><u>\$2,886,298</u></u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$6,963,182	\$1,558,560	\$88,641	\$245	(\$5,315,736)
Special	1,457,520	10,987	1,044,556	0	(401,977)
Vocational	76,741	0	27,261	0	(49,480)
Support Services:					
Pupils	673,313	0	5,000	0	(668,313)
Instructional Staff	447,211	0	0	0	(447,211)
Board of Education	29,744	0	0	0	(29,744)
Administration	1,114,121	0	0	0	(1,114,121)
Fiscal	405,396	0	0	0	(405,396)
Operation and Maintenance of Plant	1,095,458	0	0	12,000	(1,083,458)
Pupil Transportation	868,216	0	0	25,692	(842,524)
Non-Instructional Services	601,198	324,864	297,074	0	20,740
Extracurricular Activities	342,360	82,005	13,168	0	(247,187)
Total Governmental Activities	<u>\$14,074,460</u>	<u>\$1,976,416</u>	<u>\$1,475,700</u>	<u>\$37,937</u>	<u>(10,584,407)</u>

General Revenues:

Property Taxes Levied for General Purposes	3,442,411
Grants and Entitlements not Restricted to Specific Programs	6,740,646
Interest	37,521
Gifts and Donations	6,542
Miscellaneous	39,023
Total General Revenues	<u>10,266,143</u>

Change in Net Assets (318,264)

Net Assets at Beginning of Year - Restated (See Note 3)	<u>3,204,562</u>
Net Assets at End of Year	<u>\$2,886,298</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$480,801	\$422,254	\$903,055
Accounts Receivable	0	21,300	21,300
Interfund Receivable	53,576	0	53,576
Intergovernmental Receivable	235,170	107,702	342,872
Prepaid Items	41,162	0	41,162
Inventory Held for Resale	0	19,310	19,310
Materials and Supplies Inventory	27,548	3,119	30,667
<u>Restricted Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	34,423	0	34,423
Property Taxes Receivable	3,649,437	0	3,649,437
Payment in Lieu of Taxes Receivable	182,000	0	182,000
Total Assets	<u>\$4,704,117</u>	<u>\$573,685</u>	<u>\$5,277,802</u>
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	\$29,723	\$50	\$29,773
Contracts Payable	0	0	0
Accrued Wages and Benefits Payable	1,095,073	29,326	1,124,399
Matured Compensated Absences Payable	53,173	0	53,173
Interfund Payable	0	53,576	53,576
Intergovernmental Payable	309,556	19,249	328,805
Deferred Revenue	2,921,078	47,543	2,968,621
Total Liabilities	<u>4,408,603</u>	<u>149,744</u>	<u>4,558,347</u>
 <u>Fund Balances:</u>			
Reserved for Property Taxes	1,045,102	0	1,045,102
Reserved for Textbooks	8,731	0	8,731
Reserved for Bus Purchase	25,692	0	25,692
Reserved for Encumbrances	31,435	6,520	37,955
<u>Unreserved, Designated for:</u>			
Facilities Expansion	76,925	0	76,925
SPEEC Lab	230	0	230
<u>Unreserved, Undesignated Reported in:</u>			
General Fund (Deficit)	(892,601)	0	(892,601)
Special Revenue Funds	0	417,372	417,372
Debt Service Fund	0	41	41
Capital Projects Fund	0	8	8
Total Fund Balances	<u>295,514</u>	<u>423,941</u>	<u>719,455</u>
Total Liabilities and Fund Balances	<u>\$4,704,117</u>	<u>\$573,685</u>	<u>\$5,277,802</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, 2009**

Total Governmental Fund Balances \$719,455

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, are not reported in the funds. 2,468,425

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	21,300	
Intergovernmental Receivable	160,986	
Property Taxes Receivable	283,750	
Payment in Lieu of Taxes Receivable	<u>182,000</u>	
		648,036

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated Absences Payable	(909,618)	
Separation Benefits Payable	<u>(40,000)</u>	
		<u>(949,618)</u>

Net Assets of Governmental Activities \$2,886,298

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, 2009**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$3,452,886	\$0	\$3,452,886
Payment in Lieu of Taxes	28,000	0	28,000
Intergovernmental	7,210,220	899,410	8,109,630
Interest	37,521	4,483	42,004
Tuition and Fees	1,540,832	17,944	1,558,776
Extracurricular Activities	15,146	66,695	81,841
Charges for Services	0	324,753	324,753
Gifts and Donations	0	27,168	27,168
Miscellaneous	33,383	15,057	48,440
Total Revenues	12,317,988	1,355,510	13,673,498
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,736,098	168,650	6,904,748
Special	1,242,167	197,063	1,439,230
Vocational	76,166	0	76,166
Support Services:			
Pupils	436,352	236,548	672,900
Instructional Staff	400,462	46,574	447,036
Board of Education	29,744	0	29,744
Administration	1,109,107	7,932	1,117,039
Fiscal	403,109	46	403,155
Operation and Maintenance of Plant	1,090,017	13,239	1,103,256
Pupil Transportation	814,032	1,236	815,268
Non-Instructional Services	0	598,984	598,984
Extracurricular Activities	247,234	92,797	340,031
Capital Outlay	17,399	237	17,636
Total Expenditures	12,601,887	1,363,306	13,965,193
Changes in Fund Balances	(283,899)	(7,796)	(291,695)
Fund Balances at Beginning of Year	579,413	431,737	1,011,150
Fund Balances at End of Year	\$295,514	\$423,941	\$719,455

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, 2009**

Changes in Fund Balances - Total Governmental Funds (\$291,695)

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 exceeded capital outlay in the current fiscal year:

Capital Outlay - Nodepreciable Capital Assets	17,636	
Capital Outlay - Depreciable Capital Assets	31,817	
Depreciation	<u>(159,311)</u>	(109,858)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (667)

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

Property Taxes	(10,475)	
Payment in Lieu of Taxes	(28,000)	
Intergovernmental	115,185	
Tuition and Fees	6,083	
Extracurricular Activities	164	
Miscellaneous	<u>(259)</u>	82,698

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Separation Benefits Payable	(40,000)	
Compensated Absences Payable	<u>41,258</u>	<u>1,258</u>

Change in Net Assets of Governmental Activities (\$318,264)

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, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$3,658,775	\$3,482,074	\$3,417,996	(\$64,078)
Payment in Lieu of Taxes	0	28,000	28,000	0
Intergovernmental	7,170,677	7,115,305	7,116,811	1,506
Interest	90,000	37,500	37,521	21
Tuition and Fees	1,423,379	1,547,565	1,541,020	(6,545)
Extracurricular Activities	11,000	16,500	15,146	(1,354)
Gifts and Donations	0	100	0	(100)
Miscellaneous	92,350	22,788	22,146	(642)
Total Revenues	<u>12,446,181</u>	<u>12,249,832</u>	<u>12,178,640</u>	<u>(71,192)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,804,234	6,874,415	6,745,995	128,420
Special	1,106,317	1,215,098	1,199,208	15,890
Vocational	94,906	114,856	113,601	1,255
Support Services:				
Pupils	388,239	479,710	463,685	16,025
Instructional Staff	406,880	438,742	420,321	18,421
Board of Education	11,050	31,377	30,444	933
Administration	1,158,587	1,141,089	1,110,645	30,444
Fiscal	378,553	428,026	405,687	22,339
Operation and Maintenance of Plant	1,111,702	1,138,252	1,101,948	36,304
Pupil Transportation	859,787	852,289	819,689	32,600
Non-Instructional Services	1,000	0	0	0
Extracurricular Activities	290,299	250,952	247,428	3,524
Capital Outlay	18,964	19,266	19,029	237
Total Expenditures	<u>12,630,518</u>	<u>12,984,072</u>	<u>12,677,680</u>	<u>306,392</u>
Excess of Revenues				
Under Expenditures	<u>(184,337)</u>	<u>(734,240)</u>	<u>(499,040)</u>	<u>235,200</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	11,724	11,650	(74)
Refund of Prior Year Receipts	(99,932)	(100,080)	(100,080)	0
Advances In	0	0	23,359	23,359
Total Other Financing Sources (Uses)	<u>(99,932)</u>	<u>(88,356)</u>	<u>(65,071)</u>	<u>23,285</u>
Changes in Fund Balance	(284,269)	(822,596)	(564,111)	258,485
Fund Balance at Beginning of Year	1,036,437	1,036,437	1,036,437	0
Prior Year Encumbrances Appropriated	44,981	44,981	44,981	0
Fund Balance at End of Year	<u>\$797,149</u>	<u>\$258,822</u>	<u>\$517,307</u>	<u>\$258,485</u>

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$16,863	<u><u>\$27,718</u></u>
<u>Liabilities:</u>		
Due to Students	<u> 0</u>	<u><u>\$27,718</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	6,863	
Endowment	10,000	
Total Net Assets	<u><u>\$16,863</u></u>	

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Additions:

Interest \$218

Deductions:

Non-Instructional Services 500

Change in Net Assets (282)

Net Assets at Beginning of Year 17,145

Net Assets at End of Year \$16,863

See Accompanying Notes to the Basic Financial Statements

THIS PAGE INTENTIONALLY LEFT BLANK

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 363rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixty classified employees, one hundred two certified teaching personnel, and seven administrative employees who provide services to 1,470 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. There are no component units of the Elgin Local School District.

The School District participates in four jointly governed organizations and one insurance pool. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, Northwestern Ohio Educational Research Council, Inc., Metropolitan Educational Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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 is 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 college scholarships to students after graduation. 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.

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 basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 budgetary control selected by the Board is the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal 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 appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2009, 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, 2009.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2009 was \$37,521, which includes \$3,732 assigned from other School District funds.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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 cost on a first-in, first-out basis and is expended/expensed when used. 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, as well as unexpended revenues restricted for bus purchases.

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in 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 and updated for additions and reductions during the fiscal 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. 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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

K. Interfund Assets/Liabilities

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 paid 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, 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 fiscal year.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. 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. Net assets restricted for other purposes represent resources restricted for federal and state grants. As of June 30, 2009, the School District did not have any net assets restricted by enabling legislation.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

O. Fund Balance Reserves and Designations

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, bus purchase, 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.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for facilities expansion and the Sandusky Plains Environmental Education Center (SPEEC) Lab represent monies set aside by the Board of Education for the future construction of new school buildings and for a science lab.

P. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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.

Q. 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 3 - Changes in Accounting Principles and Restatement of Net Assets

A. Changes in Accounting Principles

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," and Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

B. Restatement of Net Assets

In the prior fiscal year, the School District did not record the entire receivable for payment in lieu of taxes.

	Governmental Activities
Net Assets at June 30, 2008	<u>\$2,994,562</u>
Payment in Lieu of Taxes Receivable	210,000
Restated Net Assets at June 30, 2008	<u>\$3,204,562</u>

Note 4 - Budgetary Basis of Accounting

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 4 - Budgetary Basis of Accounting (continued)

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).
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:

Changes in Fund Balance	
GAAP Basis	(\$283,899)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received in Cash FY 2009	1,017,858
Accrued FY 2009, Not Yet Received in Cash	(1,145,529)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(1,636,215)
Accrued FY 2009, Not Yet Paid in Cash	1,487,525
Cash Adjustments:	
Unrecorded Activity 2009	(27)
Prepaid Items	840
Materials and Supplies Inventory	23,443
Advances In	23,359
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(51,466)
Budget Basis	(\$564,111)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 5 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.

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

Interim monies held by the School District 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 5 - Deposits and Investments (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$118,152 of the School District's bank balance of \$369,526 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2009, the fair value of funds on deposit with STAR Ohio was \$925,321. The School District's investment in STAR Ohio had an average maturity of 58.1 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 - Receivables

Receivables at June 30, 2009, consisted of accounts (student fees and billings for user charged services), interfund, intergovernmental, property taxes, and payment in lieu of 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, except property taxes and payment in lieu of taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$154,000, will not be received within one year.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 6 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Ohio Department of Education	\$234,330
Marion County	822
Hardin County	18
Total General Fund	<u>235,170</u>
Other Governmental Funds	
Food Service	2,613
Title I	62,313
Title II-A	42,776
Total Intergovernmental Receivables	<u>\$342,872</u>

Note 7 - 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 following 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 property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 7 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$1,045,102 in the General Fund. The amount available as an advance at June 30, 2008, was \$1,010,212 in the General Fund.

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

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$103,655,530	79.66%	\$105,086,750	80.19%
Industrial/Commercial	15,453,170	11.88	15,413,440	11.76
Public Utility	10,882,320	8.36	10,553,300	8.05
Tangible Personal	126,290	0.10	0	0.00
Total Assessed Value	\$130,117,310	100.00%	\$131,053,490	100.00%
Tax rate per \$1,000 of assessed valuation	\$38.26		\$37.68	

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 8 - Payment in Lieu of Taxes

According to State law, Marion County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$120,433	\$0	\$0	\$120,433
Construction in Progress	186,334	17,636	(203,970)	0
Total Nondepreciable Capital Assets	<u>306,767</u>	<u>17,636</u>	<u>(203,970)</u>	<u>120,433</u>
Depreciable Capital Assets				
Land Improvements	48,326	81,970	0	130,296
Buildings and Building Improvements	2,332,429	122,000	0	2,454,429
Furniture, Fixtures, and Equipment	921,523	31,817	(10,513)	942,827
Vehicles	1,305,156	0	(1,590)	1,303,566
Total Depreciable Capital Assets	<u>4,607,434</u>	<u>235,787</u>	<u>(12,103)</u>	<u>4,831,118</u>
Less Accumulated Depreciation				
Land Improvements	(26,387)	(1,103)	0	(27,490)
Buildings and Building Improvements	(655,289)	(63,379)	0	(718,668)
Furniture, Fixtures, and Equipment	(671,619)	(33,942)	9,846	(695,715)
Vehicles	(981,956)	(60,887)	1,590	(1,041,253)
Total Accumulated Depreciation	<u>(2,335,251)</u>	<u>(159,311)</u>	<u>11,436</u>	<u>(2,483,126)</u>
Depreciable Capital Assets, Net	<u>2,272,183</u>	<u>76,476</u>	<u>(667)</u>	<u>2,347,992</u>
Governmental Activities Capital Assets, Net	<u>\$2,578,950</u>	<u>\$94,112</u>	<u>(\$204,637)</u>	<u>\$2,468,425</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$71,689
Special	1,528
Vocational	575
Support Services:	
Pupils	277
Administration	1,612
Fiscal	719
Operation and Maintenance of Plant	14,593
Pupil Transportation	59,395
Non-Instructional Services	3,631
Extracurricular Activities	5,292
Total Depreciation Expense	<u>\$159,311</u>

Note 10 - Interfund Assets/Liabilities

At June 30, 2009, the General Fund had an interfund receivable, in the amount of \$53,576, from other governmental funds for short-term loans made to those funds.

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 2009, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Excess Liability	4,000,000
Automobile Liability	1,000,000
Uninsured Motorists	250,000
Building and Contents	28,427,309

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 11 - Risk Management (continued)

For fiscal year 2009, 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. 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

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 12 - Defined Benefit Pension Plans (continued)

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$758,992, \$816,628, and \$812,060 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 were \$5,192 made by the School District and \$21,685 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$128,212, \$143,639, and \$162,407 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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, 2009, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 13 - Postemployment Benefits (continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$58,783, \$63,510, and \$63,098 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was \$30,643.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$58,676, \$65,547, and \$53,919 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$10,579, \$10,349, and \$11,044 respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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.

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 sixty days for classified employees and two hundred eighty days for certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of sixty-five days for classified employees and seventy days for certified 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 AIG 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.

C. Separation Benefits

The School District offers a separation benefit to certified and classified employees who have less than thirty-one years of service for certified employees and twenty-five or more years of service for classified employees. The first year that a certified employee is eligible to participate, the employee will be paid \$20,000. The first year that a classified employee is eligible to participate, the employee will be paid \$5,000. The payment will be made sixty days after proof of retirement is provided to the Treasurer. At the option of the employee, the employee may defer the payment to the next calendar year. At June 30, 2009, the liability for separation benefits was \$40,000.

Note 15 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Compensated Absences	\$950,876	\$0	\$41,258	\$909,618	\$47,260

Compensated absences will be paid from the General Fund, and the Food Service and Title I special revenue funds.

The School District's overall debt margin was \$10,845,017 with an unvoted debt margin of \$120,500 at June 30, 2009.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 16 - 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 fiscal years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2008	(\$56,250)	\$0
Current Year Set Aside Requirement	246,921	246,921
Qualifying Expenditures	<u>(181,940)</u>	<u>(246,921)</u>
Balance June 30, 2009	<u>\$8,731</u>	<u>\$0</u>

Note 17 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$10,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$6,863 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 18 - 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, Crawford, Knox, Marion, Morrow, Union, 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 2009, the School District paid \$61,984 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 18 - Jointly Governed Organizations (continued)

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 Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. 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.

D. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred eighty school districts, libraries, and related agencies in forty-one counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by School Districts. The governing board of the MEC consists of one representative from each member School District. All member School Districts must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 CityGate Drive, Columbus, Ohio 43219.

Note 19 - Insurance Pool

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 an insurance purchasing pool.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

Note 20 - 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, 2009.

B. Litigation

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

Note 21 – Subsequent Event

On November 3, 2009, voters of the School District approved a 7.49 mill bond issue for 28 years, for the purpose of constructing and equipping new school buildings through the Ohio School Facilities Commission (OSFC). Also approved by voters with this issue was an additional 1 mill continuous tax levy for the purpose of acquiring, constructing, enlarging, renovating, and financing permanent improvements for the School District.

THIS PAGE INTENTIONALLY LEFT BLANK

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 47,561	\$ 47,561
Cash Assistance:			
School Breakfast Program	10.553	53,313	53,313
National School Lunch Program	10.555	207,532	207,532
Summer Food Service Program for Children	10.559	4,732	4,732
Cash Assistance Subtotal:		<u>265,577</u>	<u>265,577</u>
Total Child Nutrition Cluster		<u>313,138</u>	<u>313,138</u>
Total U.S. Department of Agriculture		<u>313,138</u>	<u>313,138</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	99,971	170,696
Special Education Grants to States	84.027	317,883	317,339
Safe and Drug-Free Schools and Communities State Grants	84.186	6,384	7,463
State Grants for Innovative Programs	84.298	2,795	3,323
Education Technology State Grants	84.318	1,520	1,277
Improving Teacher Quality State Grants	84.367	<u>50,061</u>	<u>73,362</u>
Total U.S. Department of Education		<u>478,614</u>	<u>573,460</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 791,752</u>	<u>\$ 886,598</u>

The accompanying notes are an integral part of this schedule.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the Ohio Department of Education authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.367	Improving Teacher Quality State Grants	2008	\$45,257	
84.367	Improving Teacher Quality State Grants	2009		\$45,257
84.186	Safe and Drug-Free Schools and Communities State Grants	2008	2,748	
84.186	Safe and Drug-Free Schools and Communities State Grants	2009		2,748
84.010	Title I Grants to Local Educational Agencies	2009	5,554	
84.010	Title I Grants to Local Educational Agencies	2010		5,554
84.367	Improving Teacher Quality State Grants	2009	27,438	
84.367	Improving Teacher Quality State Grants	2010		27,438
Totals			\$80,997	\$80,997



Mary Taylor, CPA

Auditor of State

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

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

To the Board of Education:

We have audited the 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated December 1, 2009.

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

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

Mary Taylor, CPA
Auditor of State

December 1, 2009



Mary Taylor, CPA

Auditor of State

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

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

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 apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Elgin Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

In a separate letter to the District's management dated December 1, 2009, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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



Mary Taylor, CPA
Auditor of State

December 1, 2009

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

THIS PAGE INTENTIONALLY LEFT BLANK



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 25, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A procedure for documenting any prohibited incident that is reported;
 - (5) A procedure for responding to and investigating any reported incident;
 - (6) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
 - (7) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report.

3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (2) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

December 1, 2009



Mary Taylor, CPA
Auditor of State

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
DECEMBER 22, 2009**