



Dave Yost • Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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MARION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Elgin Local School District
Marion County
1239 Keener Road South
Marion, Ohio 43302

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2018, on our consideration of the School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018

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Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
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, 2017. 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 2017 are as follows:

In total, net position increased \$2,080,066, or 10 percent.

General revenues accounted for 80 percent of total revenues for fiscal year 2017 demonstrating the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

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 position 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 and the Bond Retirement Fund are the most significant funds.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2017. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net position and changes in net position. This change in net position 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.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

In the statement of net position and the statement of activities, all of the School District activities 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 major funds are the General Fund and the Bond Retirement Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds which focus on how monies flow into and out of these 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 position for fiscal year 2017 and fiscal year 2016:

Table 1
Net Position

	Governmental Activities		
	2017	2016	Change
<u>Assets</u>			
Current and Other Assets	\$23,027,180	\$20,825,450	\$2,201,730
Capital Assets, Net	34,430,395	34,327,453	102,942
Total Assets	<u>57,457,575</u>	<u>55,152,903</u>	<u>2,304,672</u>
<u>Deferred Outflows of Resources</u>			
Pension	3,392,285	1,548,071	1,844,214
<u>Liabilities</u>			
Current and Other Liabilities	1,273,778	1,481,631	207,853
Long-Term Liabilities			
Pension	18,727,222	15,444,520	(3,282,702)
Other Amounts	14,732,988	14,647,779	(85,209)
Total Liabilities	<u>34,733,988</u>	<u>31,573,930</u>	<u>(3,160,058)</u>

(continued)

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 1
Net Position
(continued)

	Governmental Activities (continued)		
	2017	2016	Change
<u>Deferred Inflows of Resources</u>			
Pension	\$240,007	\$1,147,800	\$907,793
Other Amounts	3,724,863	3,908,308	183,445
Total Deferred Inflows of Resources	3,964,870	5,056,108	1,091,238
 <u>Net Position</u>			
Net Investment in Capital Assets	20,362,745	20,145,793	216,952
Restricted	5,684,602	4,905,730	778,872
Unrestricted (Deficit)	(3,896,345)	(4,980,587)	1,084,242
Total Net Position	\$22,151,002	\$20,070,936	\$2,080,066

The net pension liability is the largest single liability reported by the School District at June 30, 2017, and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 requires the net pension liability to equal the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange”, that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

Pension related changes noted in the above table reflect a significant increase in deferred outflows and decrease in deferred inflows related to changes in projected and actual earnings on investments related to the net pension liability. The increase in the net pension liability represents the School District's proportionate share of the unfunded benefits. As indicated previously, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Aside from the changes related to pensions, the only other change of significance from the prior year is the increase in current and other assets and the corresponding increase in both restricted and unrestricted net position. The overall increase in net position (\$2 million) is similar to the increase in net position from the prior year (\$2.2 million) and is primarily due to an increase in cash and cash equivalents - simply resulting from revenues exceeding expenses. Revenues increased modestly from the prior year (3 percent) and expenses increased a little more than revenues (5 percent).

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Table 2 reflects the change in net position for fiscal year 2017 and fiscal year 2016.

Table 2
Change in Net Position

	Governmental Activities		
	2017	2016	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,985,946	\$2,047,810	(\$61,864)
Operating Grants, Contributions, and Interest	1,520,709	1,521,541	(832)
Capital Grants and Contributions	5,400	5,400	0
Total Program Revenues	<u>3,512,055</u>	<u>3,574,751</u>	<u>(62,696)</u>
General Revenues			
Property Taxes Levied for General Purposes	4,197,194	4,022,772	174,422
Property Taxes Levied for Classroom Facilities	63,702	70,267	(6,565)
Property Taxes Levied for Debt Service	1,085,649	671,916	413,733
Property Taxes Levied for Permanent Improvements	54,573	7,598	46,975
Income Taxes Levied for General Purposes	1,077,659	1,012,394	65,265
Grants and Entitlements	7,182,616	7,286,719	(104,103)
Interest	87,661	112,047	(24,386)
Gifts and Donations	30,342	25,827	4,515
Miscellaneous	162,978	93,432	69,546
Total General Revenues	<u>13,942,374</u>	<u>13,302,972</u>	<u>639,402</u>
Total Revenues	<u>17,454,429</u>	<u>16,877,723</u>	<u>576,706</u>
<u>Expenses</u>			
Instruction:			
Regular	7,372,522	6,844,079	(528,443)
Special	1,415,699	1,384,974	(30,725)
Vocational	182,966	229,856	46,890
Support Services:			
Pupils	598,581	576,628	(21,953)
Instructional Staff	255,139	219,295	(35,844)
Board of Education	31,666	29,671	(1,995)
Administration	1,112,946	1,005,507	(107,439)
Fiscal	516,046	485,236	(30,810)
Business	19,011	19,418	407
Operation of Maintenance of Plant	956,459	870,318	(86,141)
Pupil Transportation	872,126	826,295	(45,831)
Central	214,261	243,808	29,547
Non-Instructional Services	618,634	639,496	20,862
Extracurricular Activities	427,262	444,207	16,945
Interest and Fiscal Charges	781,045	780,293	(752)
Total Expenses	<u>15,374,363</u>	<u>14,599,081</u>	<u>(775,282)</u>
Increase in Net Position	2,080,066	2,278,642	(198,576)
Net Position at Beginning of Year	<u>20,070,936</u>	<u>17,792,294</u>	<u>2,278,642</u>
Net Position at End of Year	<u>\$22,151,002</u>	<u>\$20,070,936</u>	<u>\$2,080,066</u>

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Overall, revenues increased approximately 3 percent from the prior fiscal year largely due to an increase in property tax revenues. This increase was primarily the result of an increase in the assessed valuation of property upon which the taxes are levied. The decrease in intergovernmental revenue is due to the phasing out of the tangible personal property reimbursement; an amount which the State had reimbursed in prior years and has been in the process of phasing out.

Program expenses increased approximately 5 percent from the prior fiscal year and generally due to an increase in salaries and benefits costs. Employees were given 2 percent salary increases and insurance costs increased approximately 2.5 percent.

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	
	2017	2016	2017	2016
Instruction:				
Regular	\$7,372,522	\$6,844,079	\$5,801,911	\$5,406,943
Special	1,415,699	1,384,974	176,102	(7,830)
Vocational	182,966	229,856	132,015	173,960
Support Services:				
Pupils	598,581	576,628	598,581	576,628
Instructional Staff	255,139	219,295	255,139	219,295
Board of Education	31,666	29,671	31,666	29,671
Administration	1,112,946	1,005,507	1,112,946	1,005,507
Fiscal	516,046	485,236	516,046	485,236
Business	19,011	19,418	19,011	19,418
Operation and Maintenance				
of Plant	956,459	870,318	951,059	864,918
Pupil Transportation	872,126	826,295	872,126	826,295
Central	214,261	243,808	214,261	243,808
Non-Instructional Services	618,634	639,496	55,980	32,041
Extracurricular Activities	427,262	444,207	344,420	368,147
Interest and Fiscal Charges	781,045	780,293	781,045	780,293
Total Expenses	<u>\$15,374,363</u>	<u>\$14,599,081</u>	<u>\$11,862,308</u>	<u>\$11,024,330</u>

The net costs of the School District's programs for fiscal year 2017 was very similar to the prior fiscal year (77 percent for fiscal year 2017, 76 percent for fiscal year 2016). The above table also demonstrates that very few of the School District's programs are substantially provided for through program revenues. Nearly 88 percent of the special instruction program is provided for through program revenues, that primarily being various grants restricted for special instruction purposes. Almost 91 percent of the cost of the non-instructional services program was provided for through program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Approximately 19 percent of the extracurricular activities program provided for through program revenues. These resources consist of music and athletic fees, ticket sales, and gate receipts for musical and athletic events.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased 16 percent from the prior fiscal year. There was very little change in either revenues or expenditures. Revenues increased a modest 1 percent primarily due to increases in property tax revenue and open enrollment and expenditures increased approximately 2 percent largely due to salary and benefit increases. However, revenues were greater than expenditures by \$1.7 million.

There was an increase in fund balance in the Bond Retirement Fund as property tax collections exceeded amounts needed for debt service requirements for the current fiscal year.

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 2017, the School District amended its General Fund budget as needed.

For both revenues and expenditures changes from the original budget to the final budget and from final budget to actual revenues/expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the School District had \$34,430,395 invested in capital assets (net of accumulated depreciation). Additions included the replacement of the roof at the administration building, the purchase of a bus, and a wireless system upgrade. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$14,015,000, for school construction. The School District's long-term obligations also include capital leases, in the amount of \$52,650, the net pension liability, and compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 18 and 19 to the basic financial statements.

Current Issues

Elgin Local School District is a residential/farming community. The School District's leading employer, Whirlpool Corporation, has continued to have a strong labor force.

Elgin Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The School District is continuing to address the needs of the exceptional students in the School District (special and gifted education). While the School District has been very efficient in sharing programs with other school districts, the costs of this sharing has made it necessary to evaluate those programs and look for alternatives to keep these students in our School District and to use our money more efficiently.

In 2009, the voters of the School District approved a .75 percent income tax levy. This is a continuing tax to be collected on earned income. This revenue provides for the operational needs of the School District. The current emergency levy was renewed in 2016 at 4.01 mills (collections beginning in 2018) for five years. This was decreased from 4.37 mills in 2011.

In 2009, the voters of the School District also approved a 7.49 mill bond levy. This levy was reduced to 6.3 mills in 2016. This revenue was used to construct a new instructional building (K-12) in conjunction with the Ohio School Facilities Commission. The new building opened in September 2013. The voters also approved a 1 mill permanent improvement levy of which .5 mills will be used for maintenance of the new building and the other .5 mills will be used for various permanent improvements in 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, 1239 Keener Road South, Marion, Ohio 43302.

Elgin Local School District
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$14,465,353
Cash and Cash Equivalents with Fiscal Agent	2,294,387
Accounts Receivable	19,895
Accrued Interest Receivable	27,810
Intergovernmental Receivable	220,216
Income Taxes Receivable	380,270
Prepaid Items	22,987
Inventory Held for Resale	15,719
Materials and Supplies Inventory	23,525
Property Taxes Receivable	5,557,018
Nondepreciable Capital Assets	453,548
Depreciable Capital Assets, Net	33,976,847
Total Assets	<u>57,457,575</u>
<u>Deferred Outflows of Resources:</u>	
Pension	<u>3,392,285</u>
<u>Liabilities:</u>	
Accounts Payable	34,751
Accrued Wages and Benefits Payable	970,194
Matured Compensated Absences Payable	8,859
Intergovernmental Payable	194,956
Accrued Interest Payable	65,018
Long-Term Liabilities	
Due Within One Year	34,648
Due in More Than One Year	
Net Pension Liability	18,727,222
Other Amounts	14,698,340
Total Liabilities	<u>34,733,988</u>
<u>Deferred Inflows of Resources:</u>	
Property Taxes	3,724,863
Pension	240,007
Total Deferred Inflows of Resources	<u>3,964,870</u>
<u>Net Position:</u>	
Net Investment in Capital Assets	20,362,745
Restricted For	
Capital Projects	574,838
Debt Service	4,152,004
Food Service	282,362
Classroom Facilities Maintenance	518,685
Other Purposes	156,713
Unrestricted (Deficit)	(3,896,345)
Total Net Position	<u><u>\$22,151,002</u></u>

See Accompanying Notes to Basic Financial Statements

Elgin Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$7,372,522	\$1,516,173	\$54,438	\$0
Special	1,415,699	194,903	1,044,694	0
Vocational	182,966	0	50,951	0
Support Services:				
Pupils	598,581	0	0	0
Instructional Staff	255,139	0	0	0
Board of Education	31,666	0	0	0
Administration	1,112,946	0	0	0
Fiscal	516,046	0	0	0
Business	19,011	0	0	0
Operation and Maintenance of Plant	956,459	0	0	5,400
Pupil Transportation	872,126	0	0	0
Central	214,261	0	0	0
Non-Instructional Services	618,634	196,569	366,085	0
Extracurricular Activities	427,262	78,301	4,541	0
Interest and Fiscal Charges	781,045	0	0	0
Total Governmental Activities	15,374,363	1,985,946	1,520,709	5,400

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities
Property Taxes Levied for Debt Service
Property Taxes Levied for Permanent Improvements
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Position

Governmental
Activities

(\$5,801,911)
(176,102)
(132,015)

(598,581)
(255,139)
(31,666)
(1,112,946)
(516,046)
(19,011)
(951,059)
(872,126)
(214,261)
(55,980)
(344,420)
(781,045)

(11,862,308)

4,197,194
63,702
1,085,649
54,573
1,077,659
7,182,616
87,661
30,342
162,978

13,942,374

2,080,066

20,070,936

\$22,151,002

Elgin Local School District
Balance Sheet
Governmental Funds
June 30, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$11,119,736	\$1,899,923	\$1,445,694	\$14,465,353
Accounts Receivable	19,724	0	171	19,895
Accrued Interest Receivable	15,433	12,377	0	27,810
Intergovernmental Receivable	39,173	0	181,043	220,216
Income Taxes Receivable	380,270	0	0	380,270
Interfund Receivable	20,925	0	0	20,925
Prepaid Items	22,683	0	304	22,987
Inventory Held for Resale	0	0	15,719	15,719
Materials and Supplies Inventory	19,914	0	3,611	23,525
<u>Restricted Assets:</u>				
Cash and Cash Equivalents with Fiscal Agent	0	2,294,387	0	2,294,387
Property Taxes Receivable	4,368,896	1,053,981	134,141	5,557,018
Total Assets	<u>\$16,006,754</u>	<u>\$5,260,668</u>	<u>\$1,780,683</u>	<u>\$23,048,105</u>
<u>Liabilities:</u>				
Accounts Payable	\$30,416	\$0	\$4,335	\$34,751
Accrued Wages and Benefits Payable	906,065	0	64,129	970,194
Matured Compensated Absences Payable	8,859	0	0	8,859
Intergovernmental Payable	180,103	0	14,853	194,956
Interfund Payable	0	0	20,925	20,925
Total Liabilities	<u>1,125,443</u>	<u>0</u>	<u>104,242</u>	<u>1,229,685</u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	2,548,202	1,043,646	133,015	3,724,863
Unavailable Revenue	456,574	13,693	92,440	562,707
Total Deferred Inflows of Resources	<u>3,004,776</u>	<u>1,057,339</u>	<u>225,455</u>	<u>4,287,570</u>
<u>Fund Balances:</u>				
Nonspendable	42,597	0	3,915	46,512
Restricted	0	4,203,329	1,449,468	5,652,797
Committed	76,925	0	0	76,925
Assigned	269,476	0	0	269,476
Unassigned (Deficit)	11,487,537	0	(2,397)	11,485,140
Total Fund Balances	<u>11,876,535</u>	<u>4,203,329</u>	<u>1,450,986</u>	<u>17,530,850</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$16,006,754</u>	<u>\$5,260,668</u>	<u>\$1,780,683</u>	<u>\$23,048,105</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 June 30, 2017

Total Governmental Fund Balances		\$17,530,850
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		34,430,395
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	19,229	
Accrued Interest Receivable	15,651	
Intergovernmental Receivable	92,299	
Income Taxes Receivable	63,925	
Delinquent Property Taxes Receivable	371,603	
		562,707
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds; it is reported when due.		(65,018)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
General Obligation Bonds Payable	(14,015,000)	
Capital Leases Payable	(52,650)	
Compensated Absences Payable	(665,338)	
		(14,732,988)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the funds.		
Deferred Outflows - Pension		3,392,285
Deferred Inflows - Pension		(240,007)
Net Pension Liability		(18,727,222)
Net Position of Governmental Activities		\$22,151,002

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,222,181	\$1,088,923	\$118,572	\$5,429,676
Income Taxes	1,075,024	0	0	1,075,024
Intergovernmental	6,956,017	739,084	981,749	8,676,850
Interest	84,656	3,195	1,495	89,346
Tuition and Fees	1,701,651	0	0	1,701,651
Extracurricular Activities	16,900	0	61,401	78,301
Charges for Services	6,905	0	186,622	193,527
Gifts and Donations	30,342	0	9,221	39,563
Miscellaneous	159,637	0	13,288	172,925
Total Revenues	<u>14,253,313</u>	<u>1,831,202</u>	<u>1,372,348</u>	<u>17,456,863</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,631,247	0	309,187	6,940,434
Special	1,322,330	0	17,082	1,339,412
Vocational	158,702	0	904	159,606
Support Services:				
Pupils	372,484	0	203,482	575,966
Instructional Staff	240,103	0	6,365	246,468
Board of Education	30,427	0	0	30,427
Administration	962,286	0	54,338	1,016,624
Fiscal	460,722	27,894	3,010	491,626
Business	16,971	0	0	16,971
Operation and Maintenance of Plant	856,676	0	37,675	894,351
Pupil Transportation	834,075	0	1,111	835,186
Central	237,961	0	0	237,961
Non-Instructional Services	0	0	549,567	549,567
Extracurricular Activities	286,974	0	64,636	351,610
Capital Outlay	230,869	0	215,928	446,797
Debt Service:				
Principal Retirement	3,350	0	0	3,350
Interest and Fiscal Charges	833	780,212	0	781,045
Total Expenditures	<u>12,646,010</u>	<u>808,106</u>	<u>1,463,285</u>	<u>14,917,401</u>
Excess of Revenues Over (Under) Expenditures	1,607,303	1,023,096	(90,937)	2,539,462
<u>Other Financing Sources:</u>				
Inception of Capital Lease	<u>56,000</u>	<u>0</u>	<u>0</u>	<u>56,000</u>
Changes in Fund Balances	1,663,303	1,023,096	(90,937)	2,595,462
Fund Balances at Beginning of Year	<u>10,213,232</u>	<u>3,180,233</u>	<u>1,541,923</u>	<u>14,935,388</u>
Fund Balances at End of Year	<u>\$11,876,535</u>	<u>\$4,203,329</u>	<u>\$1,450,986</u>	<u>\$17,530,850</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
 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, 2017

Changes in Fund Balances - Total Governmental Funds		\$2,595,462
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>		
<p>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 capital outlays exceeded depreciation in the current fiscal year.</p>		
Capital Outlay - Nondepreciable Capital Assets	445,075	
Capital Outlay - Depreciable Capital Assets	142,428	
Depreciation	<u>(484,561)</u>	102,942
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	(28,558)	
Income Taxes	2,635	
Intergovernmental	21,159	
Interest	(190)	
Tuition and Fees	<u>2,520</u>	(2,434)
<p>Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
		3,350
<p>The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net position.</p>		
		(56,000)
<p>Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.</p>		
		(32,559)
<p>Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.</p>		
		(1,438,908)
<p>Contractually required pension contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows or a reduction in the net pension liability.</p>		
		<u>908,213</u>
Change in Net Position of Governmental Activities		<u><u>\$2,080,066</u></u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$3,995,000	\$3,995,000	\$4,137,529	\$142,529
Income Taxes	1,005,000	1,052,681	1,047,450	(5,231)
Intergovernmental	7,072,700	6,991,160	6,956,017	(35,143)
Interest	35,000	85,446	89,229	3,783
Tuition and Fees	1,660,700	1,711,077	1,701,358	(9,719)
Extracurricular Activities	14,500	17,184	16,900	(284)
Charges for Services	150,000	7,034	6,905	(129)
Gifts and Donations	10,100	15,428	30,342	14,914
Miscellaneous	95,500	114,813	115,514	701
Total Revenues	<u>14,038,500</u>	<u>13,989,823</u>	<u>14,101,244</u>	<u>111,421</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,708,206	6,811,626	6,661,583	150,043
Special	1,356,990	1,344,691	1,330,247	14,444
Vocational	196,726	173,391	170,818	2,573
Support Services:				
Pupils	343,796	382,607	360,016	22,591
Instructional Staff	263,917	254,267	245,129	9,138
Board of Education	31,525	34,439	30,410	4,029
Administration	1,032,094	1,010,786	981,550	29,236
Fiscal	504,738	513,405	460,622	52,783
Business	19,740	21,223	20,380	843
Operation and Maintenance of Plant	873,422	865,602	826,635	38,967
Pupil Transportation	952,361	937,777	872,227	65,550
Central	376,210	274,473	254,025	20,448
Extracurricular Activities	296,022	330,424	314,675	15,749
Capital Outlay	0	360,000	359,096	904
Total Expenditures	<u>12,955,747</u>	<u>13,314,711</u>	<u>12,887,413</u>	<u>427,298</u>
Excess of Revenues Over Expenditures	1,082,753	675,112	1,213,831	538,719
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	7,500	43,567	43,567	0
Changes in Fund Balance	1,090,253	718,679	1,257,398	538,719
Fund Balance at Beginning of Year	9,540,416	9,540,416	9,540,416	0
Prior Year Encumbrances Appropriated	101,847	101,847	101,847	0
Fund Balance at End of Year	<u>\$10,732,516</u>	<u>\$10,360,942</u>	<u>\$10,899,661</u>	<u>\$538,719</u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$81,414	\$41,363
<u>Liabilities:</u>		
Due to Students	0	\$41,363
<u>Net Position:</u>		
Held in Trust for Scholarships	71,414	
Endowment	10,000	
Total Net Position	\$81,414	

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Statement of Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

<u>Additions:</u>	
Interest	\$423
Gifts and Donations	15,500
Total Additions	<u>15,923</u>
 <u>Deductions:</u>	
Non-Instructional Services	<u>9,500</u>
 Change in Net Position	 6,423
 Net Position at Beginning of Year	 <u>74,991</u>
Net Position at End of Year	<u><u>\$81,414</u></u>

See Accompanying Notes to the Basic Financial Statements

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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. It is staffed by forty-nine classified employees, seventy-eight certified teaching personnel, and thirteen administrative employees who provide services to 1,046 students and other community members. The School District currently operates one instructional building and an administration building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Elgin Local School District.

The School District participates in two jointly governed organizations and two insurance pools. These organizations are the Metropolitan Educational Technology Association, Tri-Rivers Joint Vocational School, Stark County Schools Council of Governments Health Benefit Plan, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 23 and 24 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. Following are the more significant of the School District’s accounting policies.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 and deferred inflows of resources is reported as fund balance. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund.

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.

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 funds account 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 position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 funds are 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; the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income 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 income taxes is recognized in the fiscal year in which the income is earned. 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, income taxes, grants, interest, tuition, student fees, and charges for services.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and explained in Note 15 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources includes property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 15 to the basic financial statements.

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.

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.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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 final amended certificate of estimated resources requested by the Board prior to fiscal year end.

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".

Cash and cash equivalents held for the School District by US Bank, who services the School District's school facilities construction and improvement debt are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2017, the School District invested in nonnegotiable and negotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. 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 has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The School District measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given twenty-four hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant are combined for this purpose.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2017 was \$84,656 which includes \$21,247 assigned from other School District funds.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

G. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expensed/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

H. 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.

Restricted assets represent certain resources which are segregated from other resources of the School District to comply with various covenants established by debt financing agreements. These assets are generally held in separate accounts of the School District or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

I. 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 position 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 acquisition value on the date donated. The School District maintains a capitalization threshold of five thousand 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:

Description	Useful Lives
Land Improvements	50 years
Buildings and Building Improvements	48 - 100 years
Furniture, Fixtures, and Equipment	5 - 15 years
Vehicles	10 - 15 years

Note 2 - Summary of Significant Accounting Policies (continued)

J. Interfund Assets/Liabilities

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

K. 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.

L. 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, net pension liability and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for music and athletic programs and federal and state grants.

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 position is available.

N. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated as well as certain amounts for regular instruction and student activities.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

O. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

P. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2017, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures".

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability

At June 30, 2017, the Title VI-B special revenue fund had a deficit fund balance, in the amount of \$2,397, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 - 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. 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 restricted, committed, or assigned 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	\$1,663,303
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2016, Received in Cash FY 2017	1,695,311
Accrued FY 2017, Not Yet Received in Cash	(1,818,720)
Expenditure Accruals:	
Accrued FY 2016, Paid in Cash FY 2017	(1,157,538)
Accrued FY 2017, Not Yet Paid in Cash	1,125,443
	(continued)

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance (continued)	
Cash Adjustments:	
Unrecorded Activity FY 2016	\$11,890
Unrecorded Activity FY 2017	3,017
Prepaid Items	(22,683)
Materials and Supplies Inventory	1,392
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(244,017)
Budget Basis	<u>\$1,257,398</u>

Note 6 - 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, and Government National Mortgage 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 and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Deposits and Investments (continued)

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.

Investments

As of June 30, 2017, the School District had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Fair Value - Level One Inputs					
Mutual Funds	\$294,028	\$294,028	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	4,236,955	247,968	742,581	1,738,114	1,508,292
Federal Home Loan Bank Notes	2,000,605	0	0	0	2,000,605
Federal Home Loan Mortgage Corporation Notes	308,893	0	0	308,893	0
Total Fair Value - Level Two Inputs	6,546,453	247,968	742,581	2,047,007	3,508,897
Net Asset Value Per Share					
STAR Ohio	6,548,390	6,548,390	0	0	0
Total Investments	<u>\$13,388,871</u>	<u>\$7,090,386</u>	<u>\$742,581</u>	<u>\$2,047,007</u>	<u>\$3,508,897</u>

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 6 - Deposits and Investments (continued)

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. The mutual funds are measured at fair value using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The negotiable certificates of deposit are generally covered by FDIC insurance and/or SIPC insurance. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and mutual funds carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District's investment policy states that the School District may not invest more than 25 percent of its portfolio individually or in combination in commercial paper and/or bankers' acceptances. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$4,236,955	31.65%
Federal Home Loan Bank Notes	2,000,605	14.94
Federal Home Loan Mortgage Corporation Notes	308,893	2.31

Note 7 - Receivables

Receivables at June 30, 2017, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
North Central Ohio Educational Service Center	<u>\$39,173</u>
Other Governmental Funds	
Food Service	15
Title VI-B	50,467
Title I	112,852
Title II-A	16,371
High Schools That Work	<u>1,338</u>
Total Other Governmental Funds	<u>181,043</u>
Total Intergovernmental Receivables	<u><u>\$220,216</u></u>

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The continuous tax levy was effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - 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 and public utility property located in the School District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 - Property Taxes (continued)

Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2015, were levied after April 1, 2016, 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.

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, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2017, 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 inflows of resources - property taxes.

The amount available as an advance at June 30, 2017, was \$1,450,548 in the General Fund, \$9,019 in the Bond Retirement fund, and \$985 in the Permanent Improvement fund. The amount available as an advance at June 30, 2016, was \$1,365,896 in the General Fund, \$10,236 in the Bond Retirement fund, and \$977 in the Permanent Improvement fund

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$151,427,640	86.11%	\$160,733,740	86.78%
Industrial/Commercial	10,556,910	6.00	9,881,020	5.34
Public Utility	13,868,360	7.89	14,599,900	7.88
Total Assessed Value	<u>\$175,852,910</u>	<u>100.00%</u>	<u>\$185,214,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.86		\$43.31	

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 10 - Tax Abatements

The School District's property taxes were reduced as follows under community reinvestment area and enterprise zone agreements entered into by overlapping governments.

Overlapping Government	Amount of Fiscal Year 2017 Taxes Abated
Community Reinvestment Area	
City of Marion	\$1,679
Community Reinvestment Area	
Marion County	259,053
	\$260,732

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$222,679	\$0	\$0	\$222,679
Construction in Progress	166,660	445,075	(380,866)	230,869
Total Nondepreciable Capital Assets	389,339	445,075	(380,866)	453,548
Depreciable Capital Assets				
Land Improvements	91,282	247,019	0	338,301
Buildings and Building Improvements	33,926,603	133,847	0	34,060,450
Furniture, Fixtures, and Equipment	435,233	58,972	0	494,205
Vehicles	1,335,849	83,456	0	1,419,305
Total Depreciable Capital Assets	35,788,967	523,294	0	36,312,261
Less Accumulated Depreciation				
Land Improvements	(17,417)	(5,531)	0	(22,948)
Buildings and Building Improvements	(913,893)	(344,508)	0	(1,258,401)
Furniture, Fixtures, and Equipment	(129,698)	(51,729)	0	(181,427)
Vehicles	(789,845)	(82,793)	0	(872,638)
Total Accumulated Depreciation	(1,850,853)	(484,561)	0	(2,335,414)
Depreciable Capital Assets, Net	33,938,114	38,733	0	33,976,847
Governmental Activities Capital Assets, Net	\$34,327,453	\$483,808	(\$380,866)	\$34,430,395

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$208,592
Special	14,242
Vocational	12,918
Support Services:	
Pupils	3,643
Instructional Staff	5,300
Board of Education	331
Administration	12,317
Fiscal	1,991
Operation and Maintenance of Plant	34,200
Pupil Transportation	82,172
Central	2,650
Non-Instructional Services	45,110
Extracurricular Activities	61,095
Total Depreciation Expense	<u>\$484,561</u>

Note 12 - Interfund Receivables/Payables

At June 30, 2017, the General Fund had an interfund receivable, in the amount of \$20,925, from other governmental funds for short-term loans made to those funds. These amounts are expected to be repaid within one year.

Note 13 - 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 2017, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

General Liability	
Aggregate	\$2,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Building and Contents	55,544,862

Coverage provided by the Indiana Insurance Company is as follows:

Excess Liability	4,000,000
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Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 13 - Risk Management (continued)

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.

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

For fiscal year 2017, 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 14 - Contractual Commitments

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2018 are as follows:

General Fund	\$244,017
Other Governmental Funds	47,942
Total	<u>\$291,959</u>

Note 15 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$216,039 for fiscal year 2017. Of this amount, \$34,496 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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). Benefits are established by Ohio Revised Code Chapter 3307.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-six years of service credit, or thirty-one years of service credit regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age sixty-five or thirty-five years of service credit and at least age sixty.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate goes to the DCP and the remaining 2 percent is applied to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age fifty or later.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased 1 percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$692,174 for fiscal year 2017. Of this amount, \$119,772 is reported as an intergovernmental payable.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04898320%	0.04577001%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04887650</u>	<u>0.04526008</u>	
Change in Proportionate Share	<u>0.00010670%</u>	<u>0.00050993%</u>	
Proportionate Share of the Net Pension Liability	\$3,577,309	\$15,149,913	\$18,727,222
Pension Expense	\$385,638	\$1,053,270	\$1,438,908

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences Between Expected and Actual Experience	\$48,250	\$612,130	\$660,380
Changes of Assumptions	238,805	0	238,805
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	295,076	1,257,850	1,552,926
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	31,961	0	31,961
School District Contributions Subsequent to the Measurement Date	<u>216,039</u>	<u>692,174</u>	<u>908,213</u>
Total Deferred Outflows of Resources	<u>\$830,131</u>	<u>\$2,562,154</u>	<u>\$3,392,285</u>
Deferred Inflows of Resources			
Changes in Proportionate Share and Difference Between School District Contributions and Proportionate Share of Contributions	<u>\$3,843</u>	<u>\$236,164</u>	<u>\$240,007</u>

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

\$908,213 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

Fiscal Year Ended June 30,	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$159,262	\$227,942	\$387,204
2019	159,050	227,941	386,991
2020	207,115	710,613	917,728
2021	84,822	467,320	552,142
Total	<u>\$610,249</u>	<u>\$1,633,816</u>	<u>\$2,244,065</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2016, compared with June 30, 2015, are presented below.

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent	3 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal	entry age normal

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.5 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.5 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's Proportionate Share of the Net Pension Liability	\$4,736,134	\$3,577,309	\$2,607,324

Changes Between Measurement Date and Report Date

In October 2017, the SERS Board voted to suspend cost of living adjustments granted on January 1, 2018. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Defined Benefit Pension Plans (continued)

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and, therefore, is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are excluded. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$20,133,003	\$15,149,913	\$10,946,383

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

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, 2017, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - Postemployment Benefits

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health care plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount; prorated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$21,530.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the amount assigned to the Health Care Fund. The School District's contribution for health care for the fiscal years ended June 30, 2017, 2016, and 2015 was \$0, \$0, and \$11,967, respectively. The full amount has been contributed for all three fiscal years.

State Teachers Retirement System (STRS)

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Note 16 - Postemployment Benefits (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

Note 17 - 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-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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 fifty days for certified employees. Upon retirement, classified employees will receive payment for one-third of accrued but unused sick leave credit to a maximum of eighty six and two-thirds days and certified employees will receive payment for one-fourth of accrued but unused sick leave credit to a maximum of sixty two and one-half days.

B. Health Care Benefits

The School District offers medical, dental, vision, and life insurance to most employees through the Stark County Schools Council of Governments Health Benefit Plan. 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 employees who have less than thirty-one years of service. For fiscal year 2017, eligible certified employees 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. There was no liability for separation benefits at June 30, 2017.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Balance at 6/30/16	Additions	Reductions	Balance at 6/30/17	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement Bonds, 2010A					
Term Bonds 5.966%	\$2,040,000	\$0	\$0	\$2,040,000	\$0
School Facilities Construction and Improvement Bonds, 2010B					
Term Bonds 5.499%	11,975,000	0	0	11,975,000	0
Total General Obligation Bonds	14,015,000	0	0	14,015,000	0
Net Pension Liability					
SERS	2,795,029	782,280	0	3,577,309	0
STRS	12,649,491	2,500,422	0	15,149,913	0
Total Net Pension Liability	15,444,520	3,282,702	0	18,727,222	0
Capital Leases Payable	0	56,000	3,350	52,650	10,360
Compensated Absences Payable	632,779	62,249	29,690	665,338	24,288
Total Governmental Activities Long-Term Obligations	\$30,092,299	\$3,400,951	\$33,040	\$33,460,210	\$34,648

School Facilities Construction and Improvement Bonds, 2010A - On August 31, 2010, the School District issued \$2,040,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for a twenty-one year period, with final maturity in fiscal year 2031. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2028	\$635,000
2029	690,000

The remaining principal, in the amount of \$715,000, will be paid at stated maturity on December 1, 2030.

The bonds are subject to prior redemption on or after December 1, 2019, by and at the sole option of the School District, either in whole on any date or in part, in such order of maturity as the School District shall determine, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 18 - Long-Term Obligations (continued)

The bonds are subject to extraordinary optional redemption, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date in the event that the Build America payments from the federal government cease.

School Facilities Construction and Improvement Bonds, 2010B - On August 31, 2010, the School District issued \$11,975,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for an eighteen year period, with final maturity in fiscal year 2028. The bonds are being retired through the Bond Retirement debt service fund.

The bonds are subject to prior redemption on or after December 1, 2019, by and at the sole option of the School District, either in whole on any date or in part, in such order of maturity as the School District shall determine, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The bonds are subject to extraordinary optional redemption, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date in the event that the Treasury payments from the federal government cease.

Net Pension Liability - There is no repayment schedule for the net pension liability; however, employer pension contributions are made from the General Fund, and the Food Service, Title VI-B, and Title I special revenue funds.

Capital leases will be paid from the General Fund.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$5,563,898 with an unvoted debt margin of \$170,840 at June 30, 2017.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2017, were as follows:

Fiscal Year Ending	General Obligation Bonds	
	Principal	Interest
2018	\$0	\$780,211
2019	0	780,211
2020	0	780,211
2021	0	780,211
2022	0	780,211
2023-2027	0	3,901,061
2028-2031	14,015,000	470,971
	\$14,015,000	\$8,273,087

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 19 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. New capital leases are reflected in the accounts "Operation and Maintenance of Plant" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2017 were \$3,350.

	Governmental Activities
Equipment	\$56,000
Less Accumulated Depreciation	(2,799)
Carrying Value at June 30, 2017	\$53,201

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017.

	Governmental Activities	
Year	Principal	Interest
2018	\$10,360	\$2,188
2019	10,842	1,705
2020	11,348	1,200
2021	11,877	671
2022	8,223	141
Total	\$52,650	\$5,905

Note 20 - 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 acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purpose in future fiscal years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2017.

	Capital Improvements
Balance June 30, 2016	\$0
Current Year Set Aside Requirement	190,438
Qualifying Expenditures	(190,438)
Balance June 30, 2017	\$0

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 21 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies				
Inventory	\$19,914	\$0	\$3,611	\$23,525
Prepaid Items	22,683	0	304	22,987
Total Nonspendable	42,597	0	3,915	46,512
Restricted for:				
Athletics and Music	0	0	26,374	26,374
Capital Improvements	0	0	574,697	574,697
Community Involvement	0	0	23,232	23,232
Debt Retirement	0	4,203,329	0	4,203,329
Facilities Maintenance	0	0	518,685	518,685
Food Service Operations	0	0	291,173	291,173
Regular Instruction	0	0	1	1
Special Needs Children	0	0	12,413	12,413
Student Intervention	0	0	2,893	2,893
Total Restricted	0	4,203,329	1,449,468	5,652,797
Committed for:				
Facilities Expansion	76,925	0	0	76,925
Assigned for:				
Instructional Materials	160	0	0	160
Regular Instruction	3,584	0	0	3,584
Student Activities	32,492	0	0	32,492
Unpaid Obligations	233,240	0	0	233,240
Total Assigned	269,476	0	0	269,476
Unassigned (Deficit)	11,487,537	0	(2,397)	11,485,140
Total Fund Balance	\$11,876,535	\$4,203,329	\$1,450,986	\$17,530,850

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 22 - Donor Restricted Endowments

The School District's private purpose trust funds include 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 \$71,414 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 23 - Jointly Governed Organizations

A. Metropolitan Educational Technology Association

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META is an association of public school districts within the boundaries of Athens, Crawford, Delaware, Erie, Franklin, Knox, Licking, Lorain, Marion, Morrow, Muskingum, 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 META consists of twelve members of participating school districts. During fiscal year 2017, the School District paid \$31,280 to META for various services. Financial information can be obtained from META, 100 Executive Drive, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The 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.

Note 24 - Insurance Pools

A. Stark County Schools Council of Governments Health Benefit Plan

The School District participates in a public entity shared risk pool, the Stark County Schools Council of Governments Health Benefit Plan (Plan) for employee medical, dental, vision, and life insurance benefits. The Plan is administered by the Stark County Schools Council (SCSC), a regional council of governments established in accordance with Chapter 167 of the Ohio Revised Code. The SCSC is governed by an assembly consisting of one representative from each participant. Each participant pays its premiums to the Plan based on an apportionment of estimated costs established by the SCSC prior to the beginning of each fiscal year. Should estimated program costs be insufficient to pay all claims for the fiscal year, the SCSC notifies each participant of any additional program costs for the fiscal year. Upon withdrawal from the Health Benefit Plan, a participant is entitled to be refunded any excess contributions being held by the Plan.

Participation in the Health Benefit Plan is by written application subject to acceptance by the Board of Directors of the Assembly and payment of the monthly premiums. Financial information can be obtained from the Stark County Educational Service Center, who serves as fiscal agent, 2100 Thirty-Eighth Street Northwest, Canton, Ohio 44709.

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

The School District participates in a group rating plan for workers' 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.

Note 25 - 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, 2017.

Elgin Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 25 - Contingencies (continued)

B. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2017, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As a result of the fiscal year 2017 reviews, the School District is due \$35,406 from ODE. This amount has not been included in the financial statements.

C. Litigation

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

Elgin Local School District
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Four Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.04887650%	0.04898320%	0.04788000%	0.04788000%
School District's Proportionate Share of the Net Pension Liability	\$3,577,309	\$2,795,029	\$2,423,180	\$2,847,270
School District's Employee Payroll	\$1,530,321	\$1,459,393	\$1,266,046	\$1,396,031
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	233.76%	191.52%	191.40%	203.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Elgin Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.04526008%	0.04577001%	0.04642152%	0.04642152%
School District's Proportionate Share of the Net Pension Liability	\$15,149,913	\$12,649,491	\$11,291,320	\$13,450,147
School District's Employee Payroll	\$4,751,414	\$4,874,121	\$4,482,169	\$4,929,031
School District's Proportionate Share of the Net Pension Liability as a Percentage of Employee Payroll	318.85%	259.52%	251.92%	272.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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Elgin Local School District

Required Supplementary Information
 Schedule of the School District's Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$216,039	\$214,245	\$192,348	\$175,474
Contributions in Relation to the Contractually Required Contribution	<u>(216,039)</u>	<u>(214,245)</u>	<u>(192,348)</u>	<u>(175,474)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$1,543,136	\$1,530,321	\$1,459,393	\$1,266,046
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$193,211	\$184,572	\$183,318	\$189,899	\$138,791	\$153,989
<u>(193,211)</u>	<u>(184,572)</u>	<u>(183,318)</u>	<u>(189,899)</u>	<u>(138,791)</u>	<u>(153,989)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$1,396,031	\$1,372,283	\$1,458,374	\$1,402,504	\$1,410,473	\$1,568,111
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Elgin Local School District
Required Supplementary Information

Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$692,174	\$665,198	\$682,377	\$582,682
Contributions in Relation to the Contractually Required Contribution	<u>(692,174)</u>	<u>(665,198)</u>	<u>(682,377)</u>	<u>(582,682)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Employee Payroll	\$4,944,100	\$4,751,414	\$4,874,121	\$4,482,169
Contributions as a Percentage of Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$640,774	\$624,947	\$663,866	\$629,530	\$758,992	\$816,628
<u>(640,774)</u>	<u>(624,947)</u>	<u>(663,866)</u>	<u>(629,530)</u>	<u>(758,992)</u>	<u>(816,628)</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$4,929,031	\$4,807,285	\$5,106,662	\$4,842,538	\$5,838,400	\$6,281,754
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Elgin Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

Changes in Assumptions - SERS

Amounts reported for fiscal year 2017 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below.

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3 percent	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent	4 percent to 22 percent
Investment Rate of Return	7.5 percent net of investment expenses, including inflation	7.75 percent net of investment expenses, including inflation

Amounts reported for fiscal year 2017 use morality assumptions that are based on the RP-2014 Blue Collar Mortality Table with fully generational projections and a five year set back for both males and females. Amounts reported for fiscal year 2016 and prior use mortality assumptions based on the 1994 Group Annuity Mortality Table set back one year for both males and females. Special mortality tables were used for the period after disability retirement.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Total Federal Expenditures
<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	\$ 54,304
Cash Assistance:		
School Breakfast Program	10.553	74,476
National School Lunch Program	10.555	254,851
Summer Food Service Program for Children	10.559	26,238
Total Child Nutrition Cluster		409,869
TOTAL U.S. DEPARTMENT OF AGRICULTURE		409,869
<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	244,555
Special Education Cluster:		
Special Education_Grants to States	84.027	265,662
Special Education_Preschool Grants	84.173	12,160
Total Special Education Cluster		277,822
English Language Acquisition State Grants	84.365	3,308
Supporting Effective Instructions State Grant	84.367	35,769
TOTAL U.S. DEPARTMENT OF EDUCATION		561,454
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 971,323

The accompanying notes are an integral part of this schedule.

**ELGIN LOCAL SCHOOLS
MARION COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Elgin Local School District (the School District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Elgin Local School District
Marion County
1239 Keener Road South
Marion, Ohio 43302

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elgin Local School District, Marion County, Ohio, (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 9, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Elgin Local School District
Marion County
1239 Keener Road South
Marion, Ohio 43302

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Elgin Local School District's, Marion County, Ohio, (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Elgin Local School District's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Elgin Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 9, 2018

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any 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 weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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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
FEBRUARY 6, 2018**