



Dave Yost • Auditor of State

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Elida Local School District
Allen County
4380 Sunnydale Avenue
Elida, Ohio 45807

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elida Local School District, Allen County, Ohio (the School District) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elida Local School District, Allen County, Ohio, as of June 30, 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

Our audit was conducted to opine on the 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 this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 February 12, 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2018

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$7,472,637
Investments	1,716,463
Total Assets	<u><u>9,189,100</u></u>
Net Position:	
Restricted for:	
Debt Service	1,833,575
Capital Outlay	2,058,690
Other Purposes	1,008,034
Unrestricted	4,288,801
Total Net Position	<u><u>\$9,189,100</u></u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Program Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Position</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$12,440,367	\$1,500,126	\$70,662		(\$10,869,579)
Special	2,385,571	66,956	657,427		(1,661,188)
Support Services:					
Pupils	1,028,911		211,048		(817,863)
Instructional Staff	642,180		47,690		(594,490)
Board of Education	86,021				(86,021)
Administration	1,473,439		149,142		(1,324,297)
Fiscal	508,855				(508,855)
Business	170,202				(170,202)
Operation and Maintenance of Plant	2,518,926				(2,518,926)
Pupil Transportation	1,228,192		16,288		(1,211,904)
Central	71,835		5,400		(66,435)
Operation of Non-Instructional Services:					
Food Service Operations	1,085,442	447,825	704,769		67,152
Community Services	239,948		5,287		(234,661)
Extracurricular Activities	736,092	264,662	649		(470,781)
Capital Outlay	17,019			\$78,244	61,225
Debt Service:					
Principal	1,205,000				(1,205,000)
Interest and Fiscal Charges	1,101,179				(1,101,179)
Payment to Refunded Bond Escrow Agent	29,273,503				(29,273,503)
Issuance Costs	505,438				(505,438)
Total Governmental Activities	<u>\$56,718,120</u>	<u>\$2,279,569</u>	<u>\$1,868,362</u>	<u>\$78,244</u>	<u>(52,491,945)</u>
General Receipts:					
Property Taxes Levied for:					
General Purpose					9,296,239
Debt Service					2,674,966
Permanent Improvement					313,887
Grants and Entitlements not Restricted to Specific Programs					11,546,851
Payments in Lieu of Taxes					71,280
General Obligation Bonds Issued					26,559,970
Premium on Refunding Bonds Issued					3,218,871
Investment Earnings					33,832
Miscellaneous					380,472
Rent					35,329
Total					<u>54,131,697</u>
Change in Net Position					1,639,752
Net Position Beginning of Year					<u>7,549,348</u>
Net Position End of Year					<u><u>\$9,189,100</u></u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$4,365,896	\$1,833,575	\$31,558	\$1,241,608	\$7,472,637
Investments			1,716,463		1,716,463
Total Assets	<u>4,365,896</u>	<u>1,833,575</u>	<u>1,748,021</u>	<u>1,241,608</u>	<u>9,189,100</u>
Fund Balances:					
Non-spendable	23,633				23,633
Restricted		1,833,575	1,748,021	1,318,703	4,900,299
Assigned	1,304,027				1,304,027
Unassigned	3,038,236			(77,095)	2,961,141
Total Fund Balances	<u>\$4,365,896</u>	<u>\$1,833,575</u>	<u>\$1,748,021</u>	<u>\$1,241,608</u>	<u>\$9,189,100</u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	\$9,296,239	\$2,674,966		\$313,887	\$12,285,092
Intergovernmental	10,751,276	352,976		2,128,287	13,232,539
Interest	23,673		\$6,423	3,736	33,832
Tuition and Fees	1,849,679				1,849,679
Rent	35,329				35,329
Extracurricular Activities	39,358			197,687	237,045
Gifts and Donations				14,663	14,663
Customer Sales and Services	440			450,844	451,284
Payments in Lieu of Taxes	71,280				71,280
Miscellaneous	322,201	1,488	30,856	12,995	367,540
Total Receipts	<u>22,389,475</u>	<u>3,029,430</u>	<u>37,279</u>	<u>3,122,099</u>	<u>28,578,283</u>
Disbursements:					
Current:					
Instruction:					
Regular	12,364,944			75,423	12,440,367
Special	1,627,863			757,708	2,385,571
Support Services:					
Pupils	791,848			237,063	1,028,911
Instructional Staff	605,375			36,805	642,180
Board of Education	86,021				86,021
Administration	1,313,488			159,951	1,473,439
Fiscal	466,592	37,826		4,437	508,855
Business	170,202				170,202
Operation and Maintenance of Plant	2,280,654			238,272	2,518,926
Pupil Transportation	960,530			267,662	1,228,192
Central	71,835				71,835
Operation of Non-Instructional Services					
Food Service Operations	34,494			1,050,948	1,085,442
Community Services				239,948	239,948
Extracurricular Activities:					
Academic Oriented Activities	56,366			2,686	59,052
Sport Oriented Activities	434,618			224,289	658,907
School and Public Service Co-Curricular Activities	18,133				18,133
Capital Outlay:					
Building Acquisition and Construction Services	639		11,294	5,086	17,019
Debt Service:					
Principal		1,205,000			1,205,000
Interest		1,101,179			1,101,179
Issuance Costs		505,338	100		505,438
Total Disbursements	<u>21,283,602</u>	<u>2,849,343</u>	<u>11,394</u>	<u>3,300,278</u>	<u>27,444,617</u>
Excess of Receipts Over (Under) Disbursements	<u>1,105,873</u>	<u>180,087</u>	<u>25,885</u>	<u>(178,179)</u>	<u>1,133,666</u>
OTHER FINANCING SOURCES AND USES:					
General Obligation Bonds Issued		26,559,970			26,559,970
Premium on Refunding Bonds Issued		3,218,871			3,218,871
Refund of Prior Year Expenditures	748				748
Transfers In			12,932		12,932
Transfers Out				(12,932)	(12,932)
Payment to Refunded Bond Escrow Agent		(29,273,503)			(29,273,503)
Total Other Financing Sources and Uses	<u>748</u>	<u>505,338</u>	<u>12,932</u>	<u>(12,932)</u>	<u>506,086</u>
Net Change in Fund Balances	1,106,621	685,425	38,817	(191,111)	1,639,752
Fund Balance Beginning of Year	<u>3,259,275</u>	<u>1,148,150</u>	<u>1,709,204</u>	<u>1,432,719</u>	<u>7,549,348</u>
Fund Balance at End of Year	<u>\$4,365,896</u>	<u>\$1,833,575</u>	<u>\$1,748,021</u>	<u>\$1,241,608</u>	<u>\$9,189,100</u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$8,968,761	\$9,294,761	\$9,296,239	\$1,478
Intergovernmental	9,730,601	10,786,601	10,751,276	(35,325)
Interest	8,904	19,904	23,673	3,769
Tuition and Fees	1,871,782	1,885,782	1,849,679	(36,103)
Rent	26,043	34,043	35,329	1,286
Extracurricular Activities	81,451	44,451	39,358	(5,093)
Customer Sales and Services	798	1,298	440	(858)
Payments in Lieu of Taxes		72,000	71,280	(720)
Miscellaneous	242,360	358,560	322,201	(36,359)
Total Receipts	20,930,700	22,497,400	22,389,475	(107,925)
Disbursements:				
Current:				
Instruction:				
Regular	13,194,009	13,046,009	12,372,202	673,807
Special	1,585,512	1,835,512	1,628,102	207,410
Vocational	1,760	1,760		1,760
Support Services:				
Pupils	568,672	568,672	791,848	(223,176)
Instructional Staff	463,842	473,842	605,655	(131,813)
Board of Education	24,041	24,041	86,438	(62,397)
Administration	1,376,479	1,376,479	1,313,488	62,991
Fiscal	509,509	509,509	466,681	42,828
Business	220,590	225,890	170,202	55,688
Operation and Maintenance of Plant	2,309,174	2,382,174	2,324,580	57,594
Pupil Transportation	1,148,693	1,153,693	960,830	192,863
Central	63,545	63,545	71,835	(8,290)
Operation of Non-Instructional Services:				
Food Service Operations	32,896	32,896	34,494	(1,598)
Extracurricular Activities:				
Academic Oriented Activities	54,107	54,107	56,366	(2,259)
Sports Oriented Activities	481,968	481,968	434,618	47,350
School and Public Service Co-Curricular Services	23,750	23,750	18,133	5,617
Capital Outlay:				
Building Acquisition and Construction Services	4,445	4,445	639	3,806
Total Disbursements	22,062,992	22,258,292	21,336,111	922,181
Excess of Receipts Over (Under) Disbursements	(1,132,292)	239,108	1,053,364	814,256
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	78,339	3,339	748	(2,591)
Advances Out	(25,000)	(25,000)		25,000
Total Other Financing Sources and Uses	53,339	(21,661)	748	22,409
Net Change in Fund Balances	(1,078,953)	217,447	1,054,112	836,665
Fund Balance at Beginning of Year	3,053,759	3,053,759	3,053,759	
Prior Year Encumbrances Appropriated	205,516	205,516	205,516	
Fund Balance at End of Year	\$2,180,322	\$3,476,722	\$4,313,387	\$836,665

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$154,469	\$74,731
Total Assets	154,469	74,731
 Net Position:		
Held for Student Activities		74,731
Held in Trust for Scholarships	154,469	
Total Net Position	\$154,469	\$74,731

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Private Purpose Trust</u>
Additions:	
Contributions	\$10,761
Interest	398
Total Additions	<u>11,159</u>
Deductions:	
Scholarships	<u>14,425</u>
Total Deductions	<u>14,425</u>
Change in Net Position	(3,266)
Net Position - Beginning of Year	<u>157,735</u>
Net Position - End of Year	<u><u>\$154,469</u></u>

See accompanying notes to the basic financial statements.

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**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Elida Local School District (the School District) is organized under Article VI, Section 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 statute and/or federal guidelines.

The School District is located in a prosperous community within Allen County, consisting of residences and significant office and retail commercial development. The School District is staffed by 106 non-certificated employees and 153 certificated employees who provide services to 2,546 students and other community members.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

A. Primary Government

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 Elida Local School District, this includes general operations, food service, and student related activities.

B. Component Units

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District.

The Elida Education Foundation, Inc. - (the foundation) was organized under the non-profit corporation law of Ohio to operate exclusively for the benefit of the School District. The foundation receives and administers donations for educational and public charitable purposes for which the School District was formed. The foundation is governed by a five member board of trustees. One trustee shall at all times be a member of the Board of Education, appointed by the Board of Education. One Trustee shall at all times be the Superintendent of the Elida Board of Education and one trustee shall at all times be the Treasurer of the Elida Board of Education. The remaining two Trustees shall be elected at the annual meeting of the Members. Based on the above information, the foundation is a blended component unit of the School District. The School District acts as fiscal agent for the Foundation. Based upon the purpose of the various funds included in the Foundation, a portion of the funds are included with the private purpose trust funds and the remaining funds are included as part of the other governmental funds of the School District. Additional financial information can be obtained from the Treasurer of the School District.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

The School District participates in two jointly governed organizations and three public entity risk pools. These organizations include the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Career Center, Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan, Allen County Schools Health Benefit Plan, and the Southwestern Ohio Educational Purchasing Council (SWECP) Insurance Program. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2A, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

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

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

B. Basis of Presentation

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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible.

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

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

C. 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.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund, Bond Retirement Fund, and the Building 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Retirement Fund – The Bond Retirement Fund is used to account for all financial activity for the purpose of paying the outstanding debt of the School District.

Building Fund – The Building Fund is used to account for all financial activity for the purpose of constructing a high school building, constructing additions to, renovating, and improving existing school facilities.

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

2. Fiduciary Funds

The fiduciary fund category is split into private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

D. 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund, object level for the General Fund and the fund/special cost center level for all other funds.

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

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

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as assigned, committed, or restricted fund balance for subsequent-year disbursements for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation.

Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. 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".

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

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

During 2016, the School District invested in negotiable certificates of deposit, Treasury Money Market Funds, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 was \$23,673, which included \$4,545 assigned from other School District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the bus purchases.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Inter-fund Receivables/Payables

The School District reports advances-in and advances-out for inter-fund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Long-Term Obligations

The School District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

M. Inter-fund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receipts when the entitlement is received.

O. Equity Classifications

1. Government-Wide Statements

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- a. **Restricted net position** – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.
- b. **Unrestricted net position** – All other net position that does not meet the definition of "restricted."

2. Fund Financial Statements

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

- a. **Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. **Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- d. **Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. **Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

P. Receipts and Expenditures

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, and operating and capital grants and contributions. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Q. Pensions

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

3. COMPLIANCE

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

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of cash, 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 Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and the cash basis is that encumbrances are treated as expenditures (budget basis) rather than as assigned fund balance (cash basis). The adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund are as follows:

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Fund Balance
Cash Basis	\$4,365,896
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(52,509)
Budget Basis	<u>\$4,313,387</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

- 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7. The State Treasurer’s investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the School District had \$1,600 in un-deposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. Protection of School District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the District’s deposits was \$5,370,297 and the bank balance was \$5,654,476. At year end, \$872,803 of the School District’s bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of June 30, 2016, the School District had the following investments:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>	<u>% of Portfolio</u>
Negotiable Certificate of Deposits	\$995,000	\$995,883	2 Years	25.0
Treasury Money Market Funds	721,463	721,463	current	18.0
STAR Ohio	2,329,940	2,329,940		57.0
Total Carrying Value	<u>\$4,046,403</u>	<u>\$4,047,286</u>		<u>100.0</u>

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

C. Concentration of Credit Risk

The School District diversifies its investments by security, type, and institution. The table above indicates the percentage of each investment to the total portfolio.

D. Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

E. Credit Risk

STAR Ohio and Treasury Money Market funds carry a rating of AAA by Standard & Poor's.

F. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Government & Agency Mutual Fund is exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name.

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

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after October 1, 2015, on the assessed values as of January 1, 2015, 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2014, were levied after April 1, 2015, 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.

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

The School District receives property taxes from Allen County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$345,663,510	97.50%	\$366,437,300	97.20%
Public Utility Property	9,021,110	2.50%	10,717,390	2.80%
Total Assessed Value	<u>\$354,684,620</u>	<u>100.00%</u>	<u>\$377,154,690</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.43		\$41.30	

7. 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 2016, the School District contracted through the Ohio School Plan with various companies for the following insurance coverage:

Property	\$91,911,473
Boiler & Machinery	89,911,473
Automobile Liability	6,000,000
Educator's Legal Liability	6,000,000
General Liability:	
Per Occurrence	6,000,000
Aggregate	8,000,000

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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

7. RISK MANAGEMENT (Continued)

A. Health Care Benefits

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

B. Workers' Compensation

The School District participates in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

8. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

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 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.

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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

GASB 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 these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 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.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching 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. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on 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; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of Service credit	Age 62 with 10 year of service credit; or Age 57 with 30 years of service credit
	Age 55 with 25 years of service credit	Age 60 with 25 years of service credit

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. 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 three 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District's contractually required contribution to SERS was \$418,890 for fiscal year 2016.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other 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 stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan 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 will be 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 two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

**ELIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

New members who choose the DC plan or Combined Plan 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 Combined Plan 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 68 reporting purposes.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,293,358 for fiscal year 2016.

D. Net Pension Liability

The net pension liability was measured as of June 30, 2015, 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 projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,671,655	\$23,637,346	\$29,309,001
Proportion of the Net Pension Liability	0.0993964%	0.08552767%	

In April 2016, the SERS board adopted certain assumption changes which impacted their annual valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

**ELIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their 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, 2015, are presented below:

Wage inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
Total	<u>100.00%</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. 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 earning were calculated using the long-term assumed investment rate of return (7.75 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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of net pension liability	\$7,864,547	\$5,671,655	\$3,825,059

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
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 paid on fifth anniversary of retirement date.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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 not included. 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, 2015. 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, 2015.

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:

	<u>1% Decrease (6.75)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share Of net pension liability	\$32,834,057	\$23,637,346	\$15,860,156

**ELIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

The Medicare Part B Plan reimburses Medicare premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2016 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS reimbursement to retirees was \$45.50. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report.

Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2016, 0.0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2016, this amount was \$23,000. The surcharge amount paid by the School district for fiscal year 2016 was \$50,334.

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

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$22,859, and \$4,651 respectively; 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$92,382 respectively; 100 percent has been contributed for all three fiscal years.

10. DEBT

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	<u>Interest Rate</u>	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
General Long Term Obligations:						
OSFC General Obligation Bonds						
Serial Bond	3-4%	\$6,495,000		\$2,605,000	\$3,890,000	\$1,250,000
Refunding Serial Bond	2-4%		\$14,635,000		14,635,000	410,000
Term Bonds	4.5%	25,160,000		25,160,000		
Refunding Term Bonds	3.38%		10,985,000		10,985,000	
Capital Appreciation Bonds	4.75%	769,986			769,986	
Accretion on Capital Bonds	15.28%	334,004	53,352		387,356	
Refunding Capital Appreciate Bonds	2-3%		939,970		939,970	
Accretion on Refunding CAB	18.98%		67,168		67,168	
Total OSFC General Obligation Bonds		<u>\$32,758,990</u>	<u>\$26,680,490</u>	<u>\$27,765,000</u>	<u>\$31,674,480</u>	<u>\$1,660,000</u>

High School General Obligation Bonds – On September 4, 2008, the School District issued serial bonds in the amount of \$12,320,000, term bonds in the amount of \$25,160,000 and capital appreciation bonds in the amount of \$769,986 for a total of \$38,249,986 in voted general obligation bonds for constructing a high school.

The serial bonds maturing after December 1, 2019, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 2019, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date. On January 14, 2016 the District advanced refunded \$1,400,000 of the remaining amount of \$6,945,000.

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2027 in the amount of \$6,225,000, at a redemption price equal to 100 percent of the principal amount redeemed accrued interest to the redemption date. On January 14, 2016 the District advanced refunded the entire amount of \$6,225,000.

The term bonds maturing on December 1, 2036 are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District.

The mandatory redemption is to occur on December 1, 2036 (with the balance of \$18,935,000 to be paid at stated maturity on December 1, 2036). On January 14, 2016 the District advanced refunded the entire amount of 18,935,000.

**ELIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

10. DEBT (Continued)

The capital appreciation bonds will mature in fiscal years 2020 thru 2023. The maturity amount for the bonds is \$5,820,000. For fiscal year 2016, the accretion was \$53,352 for a total accretion of \$387,356.

Advance Refunding General Obligation Bonds - On January 14, 2016, the School District issued serial bonds in the amount of \$14,635,000, term bonds in the amount of \$10,985,000 and capital appreciation bonds in the amount of \$939,970 for a total of \$26,559,970. These bonds partially refunded \$26,560,000 of the District's High School General Obligation Bonds. The refunding resulted in a premium of \$3,218,871 and issuance costs of \$505,338. The transaction resulted in an economic gain of \$1,574,117 (present value) and a reduction of total debt service payments of \$2,150,192.

The refunding serial bonds maturing after December 1, 2023, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 2023, at 100 percent of the principal amount redeemed.

The refunding term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2028 in the amount of \$1,910,000, at a redemption price equal to 100 percent of the principal amount redeemed accrued interest to the redemption date.

The refunding term bonds maturing on December 1, 2036, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2034 in the amount of \$4,660,000 at a redemption price equal to 100 percent of the principal amount redeemed accrued interest to the redemption date.

The capital appreciation bonds will mature in fiscal years 2024 thru 2026. The maturity amount for the bonds is \$5,580,000. For fiscal year 2016, the accretion was \$67,168 for a total accretion of \$67,168.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2016, were as follows:

General Obligation Bonds				
Fiscal Year	Serial		Term	
Ending	Principal	Interest	Principal	Interest
2017	\$1,660,000	\$588,194		\$356,213
2018	1,615,000	531,575		356,213
2019	1,675,000	470,644		356,213
2020	1,735,000	404,094		356,213
2021	350,000	362,394		356,213
2022-2026	1,140,000	1,635,850		1,781,063
2027-2031	3,885,000	1,374,131	\$3,875,000	1,549,388
2032-2036	6,465,000	314,047	4,660,000	1,043,888
2037			2,450,000	41,344
Totals	\$18,525,000	\$5,680,928	\$10,985,000	\$6,196,744

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

10. DEBT (Continued)

<u>Fiscal Year Ending</u>	<u>Capital Appreciation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$237,150	\$1,217,850
2022	204,486	1,250,514
2023	176,317	1,278,683
2024	152,033	1,302,967
2025	371,554	1,461,904
2026	309,913	1,527,938
2027	258,503	1,583,020
Total	<u>\$1,709,956</u>	<u>\$9,622,876</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

11. SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in fund balance reserves for capital improvements during fiscal year 2016.

	Capital Improvements
Balance June 30, 2016	\$0
Current Year Set Aside Requirement	441,937
Current Year Qualifying Disbursements	<u>(441,937)</u>
Totals	<u>\$0</u>
Amount Carried Forward to Fiscal Year 2017	<u>\$0</u>

Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years.

12. FUND BALANCE

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

**ELIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

12. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Building Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Non-spendable	\$23,633				\$23,633
Restricted for:					
Debt Service		\$1,833,575			1,833,575
Capital Improvements			\$1,748,021	\$310,670	2,058,691
Food Service				733,931	733,931
Athletics				196,078	196,078
Scholarships				32,261	32,261
Extracurricular Activities				4,415	4,415
Textbooks/Grants				36,558	36,558
Other Purposes				4,790	4,790
Total Restricted		<u>\$1,833,575</u>	<u>\$1,748,021</u>	<u>\$1,318,703</u>	<u>\$4,900,299</u>
Assigned For:					
Unpaid Obligations	15,788				15,788
Future Appropriations	1,021,920				1,021,920
Capital Improvements	249,178				249,178
Extracurricular Activities	17,141				17,141
Total Assigned	<u>1,304,027</u>				<u>1,304,027</u>
Unassigned	3,038,236			(77,095)	2,961,141
Total Fund Balance	<u>\$4,365,896</u>	<u>\$1,833,575</u>	<u>\$1,748,021</u>	<u>\$1,241,608</u>	<u>\$9,189,100</u>

The IDEA-B fund had an unassigned deficit balance of \$39,593. The Title I fund had an unassigned deficit fund balance of \$37,502. The general fund is liable for any deficit and will provide transfers when cash is required.

13. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The District had the following construction and contractual commitments as of June 30, 2016:

<u>Contractor</u>	<u>Amount Outstanding</u>
Fanning/Howey Associates, Inc.	\$5,498
Fidelity Builders Supply, Inc.	10,517
Homeland Technology Group, LLC	8,785
Homeland Technology Group, LLC	6,200
Homeland Technology Group, LLC	17,750
Hought On Mifflin	15,076
Majestic Flooring Systems, LLC	8,950
R.D. Neff & Associates	11,000
Skelton's Inc.	13,368
Skelton's Inc.	13,368
Slagle Mechanical Contractors	59,588
Sparta Electric	5,353
Taylor Publishing Company, Inc.	19,000
Thompson Construction	7,830
Total Commitments	<u>\$202,283</u>

**ELIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed 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. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized. The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Northwest Ohio Area Computer Services Cooperative, at 645 South Main Street, Lima, Ohio 45804.

B. Apollo Career Center

The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Career Center, Maria Rellinger, who serves as Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

15. GROUP INSURANCE PURCHASING POOLS

A. Northwest Ohio Area Computer Service Cooperative 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 Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

B. Allen County Schools Health Benefit Plan

The School District participates in the Allen County Schools Health Benefit Plan (the plan), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under 26 U.S.C. Section 501(c)(9) and provides medical, accident and other benefits to the employees of the participating school districts.

**ELIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

15. GROUP INSURANCE PURCHASING POOLS (Continued)

Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Allied Benefit Systems, concerning aspects of the administration of the Trust. Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Board of Trustees and payment of the monthly premium. Financial information can be obtained from Brian Rockhold who serves as chairman, at the Allen County Educational Service Center, 1920 Slabtown Rd, Lima, Ohio 45804.

C. Southwestern Ohio Educational Purchasing Council (SWEPC) Insurance Program

The School District participates in a public entity shared risk pool of thirty-two school districts. The SWEPC Insurance Program provides for property, fleet and liability insurance coverage. The Program's business and affairs are conducted by an Executive Council of seven participation school administrators. Participation in the Program is by written application subject to acceptance by the Executive Council and the payment of an annual premium. The Administrator of the program is Public Entity Marsh which coordinates the management, administration, claims management, and actuarial studies of the Program. Insurance premiums are paid to the Purchasing Council. Financial information can be obtained from Public Entity Marsh, 525 Vine Street, Cincinnati, Ohio 45202.

16. CONTINGENCIES

Federal and State Grants - The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

Full-Time Equivalent (FTE) Adjustments - School District Foundation funding is based on the annualized (FTE) enrollment of each student. Effective for the 2015-2016 school year, 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 districts, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the 2015-2016 foundation funding for the School District resulting in a \$39,554 overpayment in 2015-2016 school year foundation funding which was reduced from the School Districts 2016-2017 school foundation payments.

17. SUBSEQUENT EVENTS

On December 19, 2017, the School District approved by Resolution to accept the amended Master Plan for the Ohio Facilities Construction Commission Expedited Local Partnership Program to build one new elementary school, one new high school, and renovate/add to middle school for a total project cost of \$68,884,828 (state share \$23,420,842 (34%) and Local Share \$45,463,986 (66%)).

On January 9, 2018 and January 23, 2018, the School District approved for the Treasurer to certify the maximum maturity of Bonds and declare the necessity of Bond Issue and of Tax Levy and submitting questions to the Electors of the School District and Resolution in compliance with ORC section 5705.218 determining to proceed with the Bond issue and tax levy to cover the bond payments to build the new schools.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Pass Through to Subrecipients	Total Federal Expenditures
United States Department of Agriculture				
(Passed through Ohio Department of Education)				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
School Breakfast Program	10.553	N/A	N/A	\$3,785
National School Lunch Program	10.555	N/A	N/A	90,833
Cash Assistance:				
School Breakfast Program	10.553	N/A	N/A	\$80,229
National School Lunch Program	10.555	N/A	N/A	594,306
Total Child Nutrition Cluster				<u>769,153</u>
Total United States Department of Agriculture				<u>769,153</u>
United States Department of Education				
(Passed through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	84.010	N/A	N/A	652,757
Special Education Cluster (IDEA):				
Special Education_Grants to States	84.027	N/A	N/A	<u>511,393</u>
Total Special Education Cluster (IDEA)				511,393
Improving Teacher Quality State Grants	84.367	N/A	N/A	109,489
Total United States Department of Education				<u>1,273,639</u>
Total Expenditures of Federal Awards				<u><u>\$2,042,792</u></u>

The accompanying notes are an integral part of this schedule.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Elida Local School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2016. 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 programs that benefitted from the use of those donated food commodities.

NOTE E - MATCHING REQUIREMENTS

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

NOTE F – PASS THROUGH FUNDS

The School District was awarded federal program allocations to be administered on their behalf by the Allen County Educational Service Center and Mercer County Educational Service Center. For 2016, the School District's allocation was as follows:

Special Education – Preschool Grants – CFDA #84.173	\$5,987
English Language Acquisition Grants – CFDA #84.365	\$3,714



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

Elida Local School District
Allen County
4380 Sunnydale Avenue
Elida, Ohio 45807

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 modified-cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elida Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 12, 2018, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-001.

School District's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2018



Dave Yost • Auditor of State

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

Elida Local School District
Allen County
4380 Sunnydale Avenue
Elida, Ohio 45807

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Elida Local School District's (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 each of the School District's major federal programs for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with 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 each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on Title 1 Grants to Local Educational Agencies and Special Education Cluster (IDEA) Federal Programs

As described in finding 2016-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding *cash management* applicable to its Title 1 Grants to Local Educational Agencies (CFDA #84.010) and Special Education Cluster (IDEA) major federal programs. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

Qualified Opinion on Title 1 Grants to Local Educational Agencies and Special Education Cluster (IDEA) Federal Programs

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Title 1 Grants to Local Educational Agencies and Special Education Cluster (IDEA) Federal Programs* paragraph, Elida Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Title 1 Grants to Local Educational Agencies and Special Education Cluster (IDEA) Federal Programs*.

The School District's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2016-002.

The School District's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2018

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**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified – Title 1 Grants to Local Educational Agencies Qualified – Special Education Cluster (IDEA)
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies : CFDA #84.010 Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 C.F.R. § 200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance Citation

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

Ohio Rev. Code § 117.38 also provides that the financial report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. The School District's filing date was August 29, 2016. The financial statements were filed on November 21, 2016 and an extension was not approved by the Auditor of State.

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

To help provide users with more meaningful financial statements, the School District should prepare its financial statements in accordance with generally accepted accounting principles. The School District should implement a control(s) such as a reminder system, to help ensure the financial statements are filed by the required date.

OFFICIALS' RESPONSE: The School District saves \$5,000 to \$10,000 annually by not following the GAAP requirement.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance Citation / Material Weakness - Cash Management

Finding Number	2016-002		
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA #84.010 Special Education Cluster (IDEA) CFDA #84.027		
Federal Award Identification Number / Year	Title I Grants to Local Educational Agencies CFDA #84.010 - 2015 and 2016 Special Education Cluster (IDEA) - 2015		
Federal Agency	United States Department of Education		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

FINDING NUMBER 2016-002
(Continued)

2 C.F.R. 3474.1 gives regulatory effect to the Department of Education for **2 C.F.R. § 200.305(b)** which requires, in part, that for non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. **2 C.F.R. § 200.305(b)(1)**, requires, in part, that advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. In addition, Ohio Department of Education, cash management guidelines require that advance funds may be requested in order to meet upcoming obligations that will be paid within five business days of receiving the advance funds.

The School District requested an advance of \$35,000 on August 21, 2015. At this time, the balance of the fiscal year 2015 Title 1 Grants to Local Education Agencies Fund was a negative \$43,465. The total cash requested totaled \$78,465, including the advance and negative fund balance. This cash request was received on August 27, 2015 and as of September 1, 2015 the balance on hand was \$12,285. The remaining balance of \$11,419 was transferred to the fiscal year 2016 grant on May 26, 2016.

An advance in the amount of \$25,000 was requested on August 21, 2015. At this time, the balance of the fiscal year 2015 Special Education Cluster (IDEA) Fund was a negative \$41,752. The total cash requested totaled \$66,752, including the advance and negative balance. This cash request was received on August 27, 2015 and as of September 1, 2015 the balance on hand was \$15,433. This remaining balance was transferred to the fiscal year 2016 grant on May 26, 2016.

An advance in the amount of \$45,000 was requested on May 25, 2016. At this time, the balance of the fiscal year 2016 Title 1 Grants to Local Education Agencies Fund was a negative \$171,005. The total cash request was received on June 1, 2016 and as of June 6, 2016 the balance on hand was \$12,148. On June 15, 2016, the balance of the Title 1 Grants to Local Education Agencies Fund was reduced to a negative \$7,558.

The failure to disburse Federal funds in a timely manner increases the risk of the loss of future funding.

The School District should develop a procedure(s) and/or control(s), such as a closer review of anticipated spending needs, to help ensure the liquidation of grant money within five business days.

OFFICIALS' RESPONSE: This mandate is difficult to manage. Moving forward, the School District will only request funds that it has already spent.

ELIDA LOCAL SCHOOLS

4380 Sunnydale, Elida, OH 45807
Phone (419) 331-4155

Joel L. Parker

joel@elida.k12.oh.us
419-331-4155

Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – Failure to file financial statements in accordance with Generally Accepted Accounting Principles (GAAP) First reported for the year ended June 30, 2003	Not Corrected	Repeated as Finding 2016-001
2015-002	Significant Deficiency-Failed to classify subsequent year General Fund appropriations in excess of estimated receipts as assigned fund balance.	Partially Corrected	Repeated in the management letter. School District working on complying with this guideline.

ELIDA LOCAL SCHOOLS

4380 Sunnydale, Elida, OH 45807

Phone (419) 331-4155

Joel L. Parker

joel@elida.k12.oh.us

Treasurer

419-331-4155

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The School District saves \$10,000 per year filing cash basis statements. This reporting method will continue.	N/A	Joel Parker, Treasurer
2016-002	As the School District's payrolls run twice per month, the requirement is difficult to meet.	N/A	Joel Parker, Treasurer

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Dave Yost • Auditor of State

ELIDA LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2018