

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

NANCY KUHLMAN, TREASURER



Mary Taylor, CPA

Auditor of State

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

We have reviewed the *Independent Auditor's Report* of the Elmwood Local School District, Wood County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The District operates vending machines within the Food Service department operations. During the period of August 1, 2001 through November of 2007, the vending machine operation was under the supervision of Cindy Reynolds. Ms. Reynolds first supervised this operation as Cafeteria Supervisor, and later as Cashier Supervisor. In November of 2007, it was determined that there existed a lack of internal controls sufficient to ensure vending machine funds collected were remitted to the District's bank account. At this time, the District performed an internal investigation of the funds deposited from the vending machines and evidenced a loss of \$6,215.31 during the period of November 5, 2003 through January 31, 2008. Ms. Reynolds was unable to demonstrate that the monies were deposited with the Treasurer or to account for the monies in any other fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Cindy Reynolds, former Cafeteria Supervisor and Cashier Supervisor in the amount of \$1,000.00 and in favor of Elmwood Local School District, Wood County Food Service fund.

Payment in the amount of \$5,215.31 was received on November 7, 2008 from HAS Claims Payable, the Districts insurance carrier. The amount of \$1,000.00 still remains unpaid.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Elmwood Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid, with the first letters of each word being capitalized and larger than the rest of the letters.

Mary Taylor, CPA
Auditor of State

December 15, 2008

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

We have audited the accompanying financial statements of the Elmwood Local School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Elmwood Local School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03(B) requires the Elmwood Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as described in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

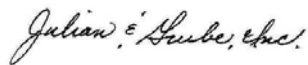
In our opinion, the financial statements do not present fairly, the financial position and results of operations of the Elmwood Local School District, Wood County, Ohio as of June 30, 2008, in accordance with accounting principles generally accepted in the United States of America.

The Elmwood Local School District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Independent Auditor's Report
Elmwood Local School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008 on our consideration of the Elmwood Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.

We conducted our audit to opine on the Elmwood Local School District's financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, for reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Elmwood Local District, as of June 30, 2008, or its changes in financial position. Therefore, we are unable to express, and we do not express, an opinion on the Schedule of Receipts and Expenditures of Federal Awards.



Julian & Grube, Inc.
November 11, 2008

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF FUND BALANCES
ALL FUND TYPES - CASH BASIS
JUNE 30, 2008

| | |
|----------------------------------|---------------------|
| <u>Cash and Cash Equivalents</u> | <u>2008</u> |
| Cash and Cash Equivalents | \$ 6,291,168 |
| Total Cash and Cash Equivalents | <u>\$ 6,291,168</u> |
| | |
| <u>Cash Fund Balances</u> | |
| <u>Governmental Fund Types:</u> | |
| General | \$ 5,289,653 |
| Special Revenue | 624,266 |
| Debt Service | <u>225,057</u> |
| Total Governmental Fund Types | <u>6,138,976</u> |
| | |
| <u>Proprietary Fund Type:</u> | |
| Enterprise | <u>5,976</u> |
| | |
| <u>Fiduciary Fund Types:</u> | |
| Private Purpose Trust | 68,258 |
| Agency | <u>77,958</u> |
| Total Fiduciary Fund Types | <u>146,216</u> |
| Total Cash Fund Balances | <u>\$ 6,291,168</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Governmental Fund Types | | | | Total (Memorandum Only) |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------|-------------------|---------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Cash receipts: | | | | | |
| From local sources: | | | | | |
| Taxes | \$ 3,636,263 | \$ 43,421 | \$ 180,293 | \$ - | \$ 3,859,977 |
| Earnings on investments | 292,526 | - | - | - | 292,526 |
| Extracurricular activities | 9,489 | 261,798 | - | - | 271,287 |
| Classroom materials and fees | 6,041 | - | - | - | 6,041 |
| Tuition | 129,361 | 35,094 | - | - | 164,455 |
| Intergovernmental - state | 6,364,423 | 298,150 | 22,718 | - | 6,685,291 |
| Intergovernmental - federal | - | 435,783 | - | - | 435,783 |
| Miscellaneous | 53,117 | 12,941 | - | - | 66,058 |
| Total cash receipts | <u>10,491,220</u> | <u>1,087,187</u> | <u>203,011</u> | <u>-</u> | <u>11,781,418</u> |
| Cash disbursements: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 4,852,458 | 275,093 | - | - | 5,127,551 |
| Special | 904,567 | 422,493 | - | - | 1,327,060 |
| Vocational | 302,415 | - | - | - | 302,415 |
| Other | 71,624 | - | - | - | 71,624 |
| Support Services: | | | | | |
| Pupil | 388,201 | 15,430 | - | - | 403,631 |
| Instructional staff | 462,544 | 46,489 | - | - | 509,033 |
| Board of Education | 70,245 | - | - | - | 70,245 |
| Administration | 778,021 | 14,849 | - | - | 792,870 |
| Fiscal services | 263,645 | 20,497 | 2,161 | - | 286,303 |
| Business | 13,526 | - | - | - | 13,526 |
| Operations and maintenance | 1,333,968 | 1,547 | - | - | 1,335,515 |
| Pupil transportation | 606,852 | 5,917 | - | - | 612,769 |
| Central | 43,699 | 9,000 | - | - | 52,699 |
| Non-Instructional services | 50,671 | 28,422 | - | - | 79,093 |
| Extracurricular activities | 329,901 | 218,269 | - | - | 548,170 |
| Facilities acquisition and construction services | - | - | - | 435,008 | 435,008 |
| Debt service: | | | | | |
| Principal retirement | - | - | 120,000 | - | 120,000 |
| Interest and fiscal charges | - | - | 153,168 | - | 153,168 |
| Total cash disbursements | <u>10,472,337</u> | <u>1,058,006</u> | <u>275,329</u> | <u>435,008</u> | <u>12,240,680</u> |
| Total cash receipts over/ (under) cash disbursements | <u>18,883</u> | <u>29,181</u> | <u>(72,318)</u> | <u>(435,008)</u> | <u>(459,262)</u> |
| Other financing receipts/(disbursements): | | | | | |
| Transfers-in | - | - | 84,091 | - | 84,091 |
| Advances-in | 20,000 | 12,550 | - | - | 32,550 |
| Transfers-out | - | - | - | (84,091) | (84,091) |
| Advances-out | (80,560) | - | - | - | (80,560) |
| Sale of assets | 5,500 | - | - | - | 5,500 |
| Total other financing receipts/(disbursements) | <u>(55,060)</u> | <u>12,550</u> | <u>84,091</u> | <u>(84,091)</u> | <u>(42,510)</u> |
| Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements | (36,177) | 41,731 | 11,773 | (519,099) | (501,772) |
| Cash fund balances, July 1, 2007 | <u>5,325,830</u> | <u>582,535</u> | <u>213,284</u> | <u>519,099</u> | <u>6,640,748</u> |
| Cash fund balances, June 30, 2008 | <u>\$ 5,289,653</u> | <u>\$ 624,266</u> | <u>\$ 225,057</u> | <u>\$ -</u> | <u>\$ 6,138,976</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| | Proprietary Fund Type | Fiduciary Fund Types | | Total |
|---------------------------------------------------------------------|--------------------------|--------------------------|------------------|----------------------|
| | Enterprise | Private Purpose Trust | Agency | (Memorandum Only) |
| Operating cash receipts: | | | | |
| Sales/charges for services | \$ 398,749 | \$ - | \$ - | \$ 398,749 |
| Extracurricular activities | - | - | 159,004 | 159,004 |
| Total operating cash receipts | <u>398,749</u> | <u>-</u> | <u>159,004</u> | <u>557,753</u> |
| Operating cash disbursements: | | | | |
| Personal services | 166,961 | - | - | 166,961 |
| Employees' retirement and insurance | 104,184 | - | - | 104,184 |
| Purchased services | 4,752 | - | 31,020 | 35,772 |
| Supplies and material | 307,554 | - | 126,458 | 434,012 |
| Capital outlay | - | - | - | - |
| Other | 153 | 3,949 | 5,695 | 9,797 |
| Total operating cash disbursements | <u>583,604</u> | <u>3,949</u> | <u>163,173</u> | <u>750,726</u> |
| Operating (loss) | <u>(184,855)</u> | <u>(3,949)</u> | <u>(4,169)</u> | <u>(192,973)</u> |
| Nonoperating cash receipts: | | | | |
| Interest income | - | 2,696 | - | 2,696 |
| Federal sources | 110,327 | - | - | 110,327 |
| State sources | 4,055 | - | - | 4,055 |
| Other | - | 1,145 | 1,822 | 2,967 |
| Total nonoperating cash receipts | <u>114,382</u> | <u>3,841</u> | <u>1,822</u> | <u>120,045</u> |
| Excess of receipts under disbursements before interfund advances | <u>(70,473)</u> | <u>(108)</u> | <u>(2,347)</u> | <u>(72,928)</u> |
| Advances-in | 66,355 | - | 1,655 | 68,010 |
| Advances-out | <u>(20,000)</u> | <u>-</u> | <u>-</u> | <u>(20,000)</u> |
| Net income/(loss) | <u>(24,118)</u> | <u>(108)</u> | <u>(692)</u> | <u>(24,918)</u> |
| Cash fund balances, July 1, 2007 | <u>30,094</u> | <u>68,366</u> | <u>78,650</u> | <u>177,110</u> |
| Cash fund balances, June 30, 2008 | <u>\$ 5,976</u> | <u>\$ 68,258</u> | <u>\$ 77,958</u> | <u>\$ 152,192</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| Fund Types | Receipts | | | | | Disbursements | | | | | | |
|----------------------------|---------------------------------------------|-------------------------------|---------------------------------|-------------------------|----------------------------------------|-------------------------------------------|------------------------|----------------------|------------------------------|-------------------------------------------|----------------------|----------------------------------------|
| | County Certified Unencumbered Cash | 2008 Estimated Receipts | Total Estimated Resources | Actual 2008 Receipts | Variance Favorable (Unfavorable) | Prior Year Carryover Appropriations | 2008 Appropriations | Total | Actual 2008 Disbursements | Encumbrances Outstanding at 6/30/08 | Total | Variance Favorable (Unfavorable) |
| Governmental: | | | | | | | | | | | | |
| General | \$ 5,111,597 | \$ 10,472,662 | \$ 15,584,259 | \$ 10,516,720 | \$ 44,058 | \$ 214,233 | \$ 11,253,758 | \$ 11,467,991 | \$ 10,552,897 | \$ 136,885 | \$ 10,689,782 | \$ 778,209 |
| Special Revenue | 541,214 | 1,171,281 | 1,712,495 | 1,099,737 | (71,544) | 41,321 | 1,113,457 | 1,154,778 | 1,058,006 | 13,022 | 1,071,028 | 83,750 |
| Debt Service | 213,284 | 261,091 | 474,375 | 287,102 | 26,011 | - | 276,168 | 276,168 | 275,329 | - | 275,329 | 839 |
| Capital Projects | 84,091 | - | 84,091 | - | - | 435,008 | 84,091 | 519,099 | 519,099 | - | 519,099 | - |
| Proprietary: | | | | | | | | | | | | |
| Enterprise | 18,629 | 660,673 | 679,302 | 579,486 | (81,187) | 11,465 | 638,629 | 650,094 | 603,604 | 5,894 | 609,498 | 40,596 |
| Fiduciary: | | | | | | | | | | | | |
| Private Purpose Trust | 68,368 | 8,285 | 76,653 | 3,841 | (4,444) | - | 11,450 | 11,450 | 3,949 | - | 3,949 | 7,501 |
| Total (Memorandum Only) | <u>\$ 6,037,183</u> | <u>\$ 12,573,992</u> | <u>\$ 18,611,175</u> | <u>\$ 12,486,886</u> | <u>\$ (87,106)</u> | <u>\$ 702,027</u> | <u>\$ 13,377,553</u> | <u>\$ 14,079,580</u> | <u>\$ 13,012,884</u> | <u>\$ 155,801</u> | <u>\$ 13,168,685</u> | <u>\$ 910,895</u> |

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Elmwood Local School District, Wood County, Ohio (the "District"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for providing public education to residents of the District. The District has its own fiscal officer (Treasurer), who is appointed by the Board.

Average daily membership (ADM) for fiscal year ended June 30, 2008, was 1,371 (actual measurement dates are the first full school week in October). In addition, the District employed a monthly average of 98 certified employees and 59 non-certified employees.

Joint Venture Without Equity Interest:

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-eight user organizations. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts and service Districts. Each of the governments of these schools support NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating District and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees and two assembly members from each county in which participating service centers are located. Each district's authority is limited to its representation on the Board. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Jointly Governed Organizations:

Penta Career Center

The Penta Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The restrictions associated with each type of fund are as follows:

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

The Special Revenue Fund Type is used to account for proceeds of specific revenue sources (other than private purpose trusts, or major capital projects) that are legally restricted to disbursements for specified purposes. The District had the following significant special revenue funds for the fiscal year ended June 30, 2008:

Public School Preschool: This fund receives grant monies and tuition payments to assist in paying the cost of preschool programs for three and four year olds.

IDEA, Part B, Special Education, Education of Handicapped Children: This fund receives grant monies to assist in providing an appropriate public education to all children with disabilities.

Debt Service Funds

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The District had the following debt service fund for the fiscal year ended June 30, 2008:

Bond Retirement Fund: This fund receives tax and intergovernmental monies for the retirement of debt.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The District had the following significant capital projects fund for the fiscal year ended June 30, 2008:

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Classroom Facilities: This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

PROPRIETARY FUND TYPE:

Enterprise Funds

The Enterprise Funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District had the following significant enterprise fund for the fiscal year ended June 30, 2008:

Food Services: This fund receives grant monies and customer fees to record financial transactions related to the District's food service operation.

FIDUCIARY FUND TYPES:

Fiduciary Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The District's fiduciary funds include private purpose trust funds and agency funds. These are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature. The District maintains one agency fund to account for student activities.

The District had the following significant private-purpose trust fund at June 30, 2008:

Friends of Elmwood-Jerry City Lodge - This fund receives donations and distributes to students in accordance with its trust agreement.

The District had the following agency fund at June 30, 2008:

Student Activity (Agency) - This fund receives monies from extracurricular activities to satisfy the objectives of the specific activity.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. BUDGETARY PROCESS

1. Budget

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. All budgetary modifications at this level may only be made by resolution of the Board of Education.

2. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

3. Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated receipts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2008 and do not include the unencumbered fund balances as of July 1, 2007. However, those fund balances are available for appropriations.

4. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

5. Encumbrances

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. Expenditures may not exceed appropriations at the legal level of control.

6. Lapsing of Appropriations

At the close of each 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 reappropriated.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. CASH AND INVESTMENTS

For reporting purposes, the District considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the District totaled \$295,222 for the fiscal year ended June 30, 2008.

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets acquired or constructed for the District are recorded as disbursements in the fund in the year expended, and are not capitalized. Depreciation is not recorded for these capital assets.

G. ACCUMULATED UNPAID VACATION, SICK LEAVE AND PERSONAL LEAVE

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practical to determine the actuarial value of these benefits as of June 30, 2008.

H. INTERFUND TRANSACTIONS

During the normal course of operations the District had transactions between funds, of which the most significant included transfers and advances. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Advances are temporary loans to other funds which are ultimately repaid.

I. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the District’s cash basis method of accounting.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.5% for property including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Hancock and Wood Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 2 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

| | 2007 Second Half Collections | | 2008 First Half Collections | |
|--------------------------------------------------------------|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential/commercial and other real estate | \$ 93,369,950 | 88.00 | \$ 95,785,420 | 90.32 |
| Public utility personal | 90,870 | 0.09 | 90,870 | 0.09 |
| Tangible personal property | <u>12,634,667</u> | <u>11.91</u> | <u>10,174,257</u> | <u>9.59</u> |
| Total | <u>\$ 106,095,487</u> | <u>100.00</u> | <u>\$ 106,050,547</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| Operations | \$38.50 | | \$38.50 | |
| Permanent improvements | 2.30 | | 1.50 | |

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 - CASH AND INVESTMENTS - (Continued)

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

State statute permits interim monies to be deposited or invested in the following securities:

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 - CASH AND INVESTMENTS - (Continued)

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

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

During fiscal year 2008, the District's investments were limited to STAR Ohio and Certificate of Deposits. 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 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 shares price which is the price the investment could be sold for on June 30, 2008.

The carrying amount of cash and investments at June 30, 2008 was as follows:

| | |
|--------------------------------|---------------------|
| Deposits: | |
| Demand deposits | \$ 6,021,851 |
| Investments: | |
| STAR Ohio | <u>269,317</u> |
| Total deposits and investments | <u>\$ 6,291,168</u> |

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 - CASH AND INVESTMENTS - (Continued)

At June 30, 2008, the carrying amount of all District deposits was \$6,021,851. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$5,733,679 of the District's bank balance of \$6,133,679 was exposed to custodial risk as discussed below, while \$400,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments

As of June 30, 2008, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturities 6 months or less</u> |
|------------------------|-------------------|-----------------------------------------------------------|
| STAR Ohio | \$ 269,317 | \$ 269,317 |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in STAR Ohio were assigned an AAAM money market rating by Standard & Poor's.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 - CASH AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|-------------------|-------------------|
| STAR Ohio | \$ 269,317 | 100.00 |

NOTE 4 - DEBT OBLIGATIONS

Debt activity and outstanding balances at June 30, 2008, was as follows:

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Outstanding July 1, 2007</u> | <u>Retired in FY 2008</u> | <u>Outstanding June 30, 2008</u> |
|--------------------|--------------------------|--------------------------|-------------------------------------|-------------------------------|--------------------------------------|
| School Facilities | | | | | |
| Construction Bonds | Varying | 12/1/2023 | \$ 3,095,000 | \$ 120,000 | \$ 2,975,000 |
| Total | | | \$ 3,095,000 | \$ 120,000 | \$ 2,975,000 |

On April 15, 2001, the District issued \$3,673,000 School Facilities Construction and Improvement Bonds to fund the construction of the new K-12 facility. This issue is comprised of both current interest bonds at a par value of \$3,158,000 and term bonds at a par value of \$515,000. The interest rates on the current interest bonds range from 3.4% to 5.0%. The term bonds have effective rates of 5.10%. Payments of principal and interest are recorded in the debt service fund.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 4 - DEBT OBLIGATIONS - (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>School Facilities Construction Bonds</u> | | |
|----------------------------------------|---------------------------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2009 | \$ 125,000 | \$ 147,533 | \$ 272,533 |
| 2010 | 130,000 | 141,895 | 271,895 |
| 2011 | 140,000 | 136,122 | 276,122 |
| 2012 | 145,000 | 129,923 | 274,923 |
| 2013 | 150,000 | 122,570 | 272,570 |
| 2014 - 2018 | 885,000 | 473,629 | 1,358,629 |
| 2019 - 2023 | 1,135,000 | 216,222 | 1,351,222 |
| 2024 | <u>265,000</u> | <u>6,758</u> | <u>271,758</u> |
| Total | <u>\$ 2,975,000</u> | <u>\$ 1,374,652</u> | <u>\$ 4,349,652</u> |

NOTE 5 - INTERFUND TRANSACTIONS

The District had the following advances for the fiscal year ended June 30, 2008:

| <u>Fund Type/Fund</u> | <u>Advance In</u> | <u>Advance Out</u> |
|-----------------------------|-------------------|--------------------|
| General Fund | <u>\$ 20,000</u> | <u>\$ 80,560</u> |
| <u>Special Revenue Fund</u> | | |
| High School Athletics | <u>12,550</u> | <u>-</u> |
| <u>Enterprise Funds</u> | | |
| Lunchroom | 52,055 | 20,000 |
| Uniform School Supplies | <u>14,300</u> | <u>-</u> |
| Total Enterprise Funds | <u>66,355</u> | <u>20,000</u> |
| <u>Agency Fund</u> | | |
| Student Managed Activity | <u>1,655</u> | <u>-</u> |
| Total | <u>\$ 100,560</u> | <u>\$ 100,560</u> |

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The District had the following transfers for the fiscal year ended June 30, 2008:

| <u>Fund Type/Fund</u> | <u>Transfer In</u> | <u>Transfer Out</u> |
|-------------------------------------|--------------------|---------------------|
| General Fund | \$ 84,091 | \$ - |
| <u>Capital Projects Fund</u> | | |
| Ohio School Facilities Construction | <u>-</u> | <u>84,091</u> |
| Total | <u>\$ 84,091</u> | <u>\$ 84,091</u> |

The transfer is in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 and is due to the remaining balance in the local building project Ohio School Facilities Construction to the Debt Service Fund to provide for future debt requirements related to the construction of the building.

NOTE 6 - RELATED ORGANIZATION

The Wayne Public Library is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determine its own budget. The Library did not receive any funding from the District during fiscal year 2008.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 7 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$232,108, \$177,408 and \$126,686, respectively; 42.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 7 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$671,874, \$641,949 and \$597,319, respectively; 83.38 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,789 made by the District and \$13,103 made by the plan members.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 7 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 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 2008, this amount was \$35,800.

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.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 8 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$72,080, \$20,944 and \$39,161, respectively; 42.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,480, \$7,784 and \$8,393, respectively; 42.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$50,117, \$50,844 and \$49,445, respectively; 83.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 9 - EMPLOYEE BENEFITS

A. OTHER EMPLOYEE BENEFITS

The District provides health and major insurance for all eligible employees through Medical Mutual of Ohio. The District pays 95% of single plan and 90% of family plan. Those amounts are the same on the Tradition and for the PPO plans for the Certified staff. For the Classified staff - Board pays 85% for Family and 100% for Single (for those hired before 9-1-92). For those hired after 9-1-92 for the PPO the Board pays 90% of the family and 100% of the single.

Current annual premiums for the medical plan are:

Medical

Single Traditional - \$6,547
Single PPO (classified) - \$4,788
Family PPO (classified) - \$12,762
Single PPO (certified) - \$4,788
Family PPO (certified) - \$12,762

Dental coverage is provided through Medical Mutual of Ohio. Premiums for this coverage are the same for both the Certified and Classified staff. Board pays 100% of single and 85% for Family.

Dental - Annual Premium cost

Family Dental - \$1,149
Single Dental - \$423

Life Insurance and accidental death and dismemberment insurance to most employees are provided through National Insurance Services. Both Certified and Classified employees have \$35,000 coverage. Administrators are covered at \$40,000 and the Superintendent is covered at twice his/her salary amount. The Board pays the full premium on life insurance and accidental death and dismemberment.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 9 - EMPLOYEE BENEFITS - (Continued)

B. DEFERRED COMPENSATION

District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 10 - RISK MANAGEMENT

The 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 ending June 30, 2007, the District contracted with various insurance companies for property and general liability insurance, including criminal, mechanical, electrical and pressure equipment, inland marine and fleet coverage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. There have been no significant reductions in amounts of insurance coverage.

The District pays the State Workers' Compensation System a premium based on a rate of \$100 salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11 - INSURANCE PURCHASING POOL

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 12 - INCOME TAX

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was renewed on January 1, 2006, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State of Ohio. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund in the amount of \$1,521,228.

NOTE 13 - SET-ASIDE CALCULATIONS

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for textbooks acquisition and capital acquisition reserves. Disclosure of this information is required by State statute.

| | <u>Textbook Reserve</u> | <u>Capital Acquisition</u> |
|--------------------------------------------|-----------------------------|--------------------------------|
| Set-aside cash balance as of June 30, 2007 | \$ (1,266,930) | \$ (5,236,578) |
| Current year set-aside requirement | 192,592 | 192,592 |
| Qualifying off-sets | - | (78,626) |
| Qualifying disbursements | <u>(606,635)</u> | <u>(170,695)</u> |
| Total | <u>\$ (1,680,973)</u> | <u>\$ (5,293,307)</u> |
| Balance carried forward to FY 2009 | <u>\$ (1,680,973)</u> | <u>\$ 5,236,578</u> |

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - SET-ASIDE CALCULATIONS - (Continued)

The District had, for the Textbook Acquisition Reserve, additional qualifying disbursements during the year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years. During fiscal year 2001, the District issued bonds totaling \$5,473,000 in connection with the building of the District's new K-12 building. These were qualifying offsets in the year of issuance and in addition to receipts in the Classroom Maintenance fund annually and are eligible to be carried forward to future years.

NOTE 14 - CONTINGENCIES

A. GRANTS

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. LITIGATION

- i.* The District is not involved in material litigation as either plaintiff or defendant.

SUPPLEMENTARY DATA

ELMWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (D) PASS-THROUGH GRANT NUMBER | (C) CASH FEDERAL RECEIPTS | OTHER FEDERAL RECEIPTS | (C) CASH FEDERAL DISBURSEMENTS | OTHER FEDERAL DISBURSEMENTS |
|-----------------------------------------------------------------------------------------------|----------------|----------------------------------------|------------------------------------|------------------------------|-----------------------------------------|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | | | |
| (A) Food Donation | 10.550 | 2008 | \$ - | \$ 21,872 | \$ - | \$ 21,872 |
| Total Food Donation | | | <u>-</u> | <u>21,872</u> | <u>-</u> | <u>21,872</u> |
| (B) National School Lunch Program | 10.555 | 2008 | 110,327 | | 110,327 | |
| Total National School Lunch Program | | | <u>110,327</u> | | <u>110,327</u> | |
| Total U.S. Department of Agriculture | | | <u>110,327</u> | <u>21,872</u> | <u>110,327</u> | <u>21,872</u> |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2008 | 74,398 | | 74,398 | |
| Total Title I Grants to Local Educational Agencies | | | <u>74,398</u> | | <u>74,398</u> | |
| Migrant Education_State Grant Program | 84.011 | 2007 | 18,947 | | 28,276 | |
| Total Migration Education_State Grant Program | | | <u>18,947</u> | | <u>28,276</u> | |
| Special Education_Grants to States | 84.027 | 2008 | 290,091 | | 290,091 | |
| Total Special Education Grants to State | | | <u>290,091</u> | | <u>290,091</u> | |
| Safe and Drug-Free Schools and Communities_State Grants | 84.186 | 2008 | 3,200 | | 3,200 | |
| Total Safe and Drug-Free Schools and Communities_State Grants | | | <u>3,200</u> | | <u>3,200</u> | |
| State Grants for Innovative Programs | 84.298 | 2007 | - | | 123 | |
| State Grants for Innovative Programs | 84.298 | 2008 | 2,755 | | 2,755 | |
| Total State Grants for Innovative Programs | | | <u>2,755</u> | | <u>2,878</u> | |
| Education Technology State Grants | 84.318 | 2008 | 753 | | 753 | |
| Total Educational Technology State Grants | | | <u>753</u> | | <u>753</u> | |
| Improving Teacher Quality State Grants | 84.367 | 2008 | 45,639 | | 45,486 | |
| Total Improving Teacher Quality State Grants | | | <u>45,639</u> | | <u>45,486</u> | |
| Total U.S. Department of Education | | | <u>435,783</u> | | <u>445,082</u> | |
| Total Federal Financial Assistance | | | <u>\$ 546,110</u> | <u>\$ 21,872</u> | <u>\$ 555,409</u> | <u>\$ 21,872</u> |

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis.
- (C) This schedule was prepared on the cash basis of accounting.
- (D) OAKS did not assign pass through numbers for fiscal year 2008.



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**Report on Compliance and Other Matters and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

We have audited the financial statements of the Elmwood Local School District, Wood County, Ohio, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 11, 2008. For the fiscal year ended June 30, 2008, the Elmwood Local School District prepared its financial report on the basis of accounting in accordance with the standards prescribed by the Auditor of State for governmental entities that are not required to prepare their annual report in accordance with accounting principles generally accepted in the United States of America, and is non-compliant with Ohio Administrative Code Section 117-2-03(B) and thus was issued an adverse opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elmwood Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elmwood Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elmwood Local School District's internal control over financial reporting.

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

Board of Education
Elmwood Local School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Elmwood Local School District's internal control.

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

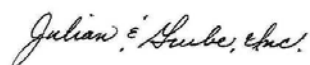
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elmwood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2008-ELSD-001.

We noted certain matters that we reported to management of Elmwood Local School District in a separate letter dated November 11, 2008.

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

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



Julian & Grube, Inc.
November 11, 2008



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**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

Compliance

We have audited the compliance of Elmwood Local School District, Wood County, Ohio, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2008. For the fiscal year ended June 30, 2008, the Elmwood Local School District prepared its financial report on the basis of accounting in accordance with the standards prescribed by the Auditor of State for governmental entities that are not required to prepare its annual report in accordance with accounting principles generally accepted in the United States of America, and is non-compliant with Ohio Administrative Code Section 117-2-03(B) and thus was issued an adverse opinion. The Elmwood Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Elmwood Local School District's management. Our responsibility is to express an opinion on the Elmwood Local School District compliance based on our audit.

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

Board of Education
Elmwood Local School District

In our opinion, the Elmwood Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

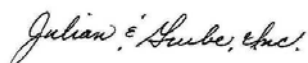
The management of Elmwood Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Elmwood Local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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Elmwood Local School District's internal control.

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

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



Julian & Grube, Inc.
November 11, 2008

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

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

| | |
|----------------|---------------|
| Finding Number | 2008-ELSD-001 |
|----------------|---------------|

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, as described in Note 1, the District prepares its financial statements on the basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting 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, and fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District. The lack of complying with this requirement also potentially places federal funding in jeopardy.

We recommend that the District file their financial report in accordance with GAAP. The District may find it beneficial to consult with an accounting firm to compile or assist them in compiling their financial statements in accordance with GAAP.

Client Response: The District is not anticipating having their financial statements prepared in accordance with accounting principles generally accepted in the United States of America.

| |
|------------------------------------------------------------|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|------------------------------------------------------------|

None

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------|
| 2007-ELSD-001 | Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, as described in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than GAAP. | No | Not corrected |



Mary Taylor, CPA
Auditor of State

ELMWOOD LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2008**