



Dave Yost • Auditor of State



**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

August 23, 2011

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

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The discussion and analysis of Elgin Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2011 are as follows:

In total, net assets increased \$2,625,432, or 11 percent. This increase is due, in part, to resources received for the school construction project that was not spent as of fiscal year end as well as the general excess of revenues over expenses.

General revenues accounted for 77 percent of total revenues for fiscal year 2011 demonstrating the School District's significant dependence on property taxes and unrestricted State entitlements.

**Using the Basic Financial Statements**

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

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

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

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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

**Reporting the School District's Most Significant Funds**

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

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2011 and fiscal year 2010:

Table 1 Net Assets			
	2011	Governmental Activities 2010	Change
<u>Assets:</u>			
Current and Other Assets	\$44,475,054	\$43,920,857	\$554,197
Capital Assets, Net	4,486,156	2,680,000	1,806,156
Total Assets	<u>48,961,210</u>	<u>46,600,857</u>	<u>2,360,353</u>
<u>Liabilities:</u>			
Current and Other Liabilities	\$4,341,642	\$21,065,519	\$16,723,877
Long-Term Liabilities	17,343,746	884,948	(16,458,798)
Total Liabilities	<u>21,685,388</u>	<u>21,950,467</u>	<u>265,079</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	4,900,068	2,672,449	2,227,619
Restricted	19,571,186	21,273,183	(1,701,997)
Unrestricted	2,804,568	704,758	2,099,810
Total Net Assets	<u>\$27,275,822</u>	<u>\$24,650,390</u>	<u>\$2,625,432</u>

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

The above table reflects several significant changes from the prior fiscal year. Although the change in current and other assets was less than 2 percent, there were several changes of note. There was an increase in cash and cash equivalents of over \$3.1 million due to the excess of revenues over expenses for the fiscal year (also reflected in the increase in unrestricted net assets) as well as resources received during the fiscal year for school construction that were not spent as of fiscal year end. There was also a decrease in intergovernmental receivables of \$3 million as there was less grant resources related to construction and due to the School District outstanding at the end of the fiscal year. The increase in net capital assets and invested in capital assets reflects continuing construction on school facilities (generally engineering costs to date). The decrease in current and other liabilities and the corresponding increase in long-term liabilities reflects the retirement of \$16.6 million in bond anticipation notes with general obligation bonds issued and which will be retired over the next twenty years. Finally, the decrease in restricted net assets generally reflects resources restricted for construction which have been spent.

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

Table 2  
Change in Net Assets

	Governmental Activities		Change
	2011	2010	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,718,790	\$1,786,088	(\$67,298)
Operating Grants, Contributions, and Interest	2,093,471	2,147,150	(53,679)
Capital Grants and Contributions	9,100	9,145	(45)
Total Program Revenues	<u>3,821,361</u>	<u>3,942,383</u>	<u>(121,022)</u>
General Revenues			
Property Taxes Levied for General Purposes	3,449,130	3,782,277	(333,147)
Property Taxes Levied for Classroom Facilities	101,983	31,848	70,135
Property Taxes Levied for Debt Service	909,348	335,190	574,158
Property Taxes Levied for Permanent Improvements	49,741	174,553	(124,812)
Income Taxes Levied for General Purposes	752,754	167,057	585,697
Payment in Lieu of Taxes	28,000	28,000	0
Grants and Entitlements	7,552,811	26,921,547	(19,368,736)
Interest	108,914	71,438	37,476
Gifts and Donations	8,872	6,937	1,935
Miscellaneous	152,998	238,235	(85,237)
Total General Revenues	<u>13,114,551</u>	<u>31,757,082</u>	<u>(18,642,531)</u>
Total Revenues	<u>16,935,912</u>	<u>35,699,465</u>	<u>(18,763,553)</u>

(Continued)

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Table 2  
Change in Net Assets  
(Continued)

	Governmental Activities		
	2011	2010	Change
<u>Expenses</u>			
Instruction:			
Regular	6,054,819	6,575,565	520,746
Special	1,477,407	1,251,642	(225,765)
Vocational	114,884	85,907	(28,977)
Support Services:			
Pupils	767,388	862,620	95,232
Instructional Staff	420,928	449,112	28,184
Board of Education	48,423	32,175	(16,248)
Administration	1,125,068	1,033,699	(91,369)
Fiscal	493,398	454,365	(39,033)
Operation and Maintenance of Plant	1,112,268	1,009,858	(102,410)
Pupil Transportation	805,349	767,534	(37,815)
Central	118,220	8,363	(109,857)
Non-Instructional Services	610,894	587,489	(23,405)
Extracurricular Activities	350,984	276,096	(74,888)
Interest and Fiscal Charges	810,450	315,423	(495,027)
Total Expenses	<u>14,310,480</u>	<u>13,709,848</u>	<u>(600,632)</u>
Increase Net Assets	2,625,432	21,989,617	(19,364,185)
Net Assets at Beginning of Year	24,650,390	2,660,773	21,989,617
Net Assets at End of Year	<u>\$27,275,822</u>	<u>\$24,650,390</u>	<u>\$2,625,432</u>

Program revenues remained fairly similar to fiscal year 2010 with a modest change of 3 percent; however, there was a substantial change for general revenues which decreased over \$18.6 million. This decrease was due to grant resources obtained from the Ohio School Facilities Commission for building construction and renovation in the prior fiscal year.

Overall, expenses did not change significantly (a 4 percent increase) with modest increases in most programs. As is to be expected, the instruction program represents the School District's largest expense, representing over 53 percent of overall expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 75 percent of all of the School District's expenses are related directly to the functions of delivering education and maintaining facilities.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$6,054,819	\$6,575,565	\$4,305,650	\$5,149,212
Special	1,477,407	1,251,642	234,386	(412,888)
Vocational	114,884	85,907	31,559	5,495
Support Services:				
Pupils	767,388	862,620	762,388	857,620
Instructional Staff	420,928	449,112	420,928	449,112
Board of Education	48,423	32,175	48,423	32,175
Administration	1,125,068	1,033,699	1,125,068	1,033,699
Fiscal	493,398	454,365	493,398	454,365
Operation and Maintenance of Plant	1,112,268	1,009,858	1,103,168	1,000,713
Pupil Transportation	805,349	767,534	805,349	767,534
Central	118,220	8,363	118,220	8,363
Non-Instructional Services	610,894	587,489	8,910	(26,643)
Extracurricular Activities	350,984	276,096	221,222	133,285
Interest and Fiscal Charges	810,450	315,423	810,450	315,423
Total Expenses	<u>\$14,310,480</u>	<u>\$13,709,848</u>	<u>\$10,489,119</u>	<u>\$9,767,465</u>

With the decrease in program revenues in fiscal year 2011, the costs of programs supported by general revenues, primarily taxes and school foundation resources, was slightly more than in the prior fiscal year. The above table also demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, 40 percent of the overall instruction program is provided for through program revenues, that primarily being tuition and fees and operating grants for various educational programs. The non-instructional services program provided for nearly all program costs through program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service, as well as charges for school age child care. The extracurricular activities program provided for 37 percent of program costs through program revenues. These resources consist of music and athletic fees, ticket sales, and gate receipts for musical and athletic events.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased almost \$2 million from the prior fiscal year. Revenues had a modest 3 percent increase due, in large part, to the receiving the .75 percent income tax levy (effective on January 1, 2010) for the entire fiscal year. Expenditures decreased 4 percent with reductions occurring in a number of programs.

The Classroom Facilities capital projects fund had an increase of over \$17 million in fund balance from the prior fiscal year. Nearly \$15.9 million in bond proceeds and \$2.8 million in Ohio School Facilities Commission grant resources were received in fiscal year 2011 while only \$1.4 million was spent on construction.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During fiscal year 2011, the School District amended its General Fund budget as needed.

For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant. Actual expenditures were 7 percent less than budget amounts due to conservative budget estimates as savings were realized in almost all programs.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the School District had \$4,486,156 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of engineering costs related to the new building construction, the purchase of land, and the acquisition of four buses. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

**Debt**

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$16,240,366, for school construction. The school district also had outstanding loans for buses, in the amount of \$207,393. The School District's long-term obligations also include compensated absences. For further information regarding the School District's debt and long-term obligations, refer to Notes 16 and 17 to the basic financial statements.

**Current Issues**

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

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

On May 5, 2009, the voters of the School District approved a .75 percent income tax. This income tax is a continuing tax to be collected on earned income. This additional revenue will provide for operational needs of the School District. The current emergency levy (\$852,970) will be up for renewal in 2011. The renewal levy will be on the ballot on November 8, 2011, for voter approval.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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On November 3, 2009, the voters of the School District approved a 7.49 mill bond levy. This revenue will be used to construct a new K-12 building in conjunction with the Ohio School Facilities Commission. The voters also approved a 1 mill permanent improvement levy of which .5 mills will be used to establish a maintenance fund for the new building and the other .5 mills will be used for various permanent improvements in the School District. This will help to offset the current capital expenses being paid from the General Fund. The new K-12 building is scheduled to be finished in the summer of 2013 with students starting the 2013-2014 school year at the new campus.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kimberly Reynolds, Treasurer, Elgin Local School District, 4616 Larue-Prospect Road, Marion, Ohio 43302.

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**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 23,335,480
Cash and Cash Equivalents with Fiscal Agent	260
Accounts Receivable	13,682
Accrued Interest Receivable	16,185
Intergovernmental Receivable	15,678,780
Income Taxes Receivable	291,323
Payment in Lieu of Taxes Receivable	28,000
Prepaid Items	29,707
Inventory Held for Resale	10,729
Materials and Supplies Inventory	38,201
Property Taxes Receivable	4,810,055
Unamortized Bond Issuance Costs	222,652
Nondepreciable Capital Assets	2,122,910
Depreciable Capital Assets, Net	<u>2,363,246</u>
Total Assets	<u>48,961,210</u>
 <u>Liabilities:</u>	
Accounts Payable	21,370
Accrued Wages and Benefits Payable	1,004,541
Contracts Payable	124,968
Matured Compensated Absences Payable	19,245
Separation Benefits Payable	20,000
Intergovernmental Payable	316,990
Deferred Revenue	2,765,873
Accrued Interest Payable	68,655
Long-Term Liabilities:	
Due Within One Year	787,744
Due in More Than One Year	<u>16,556,002</u>
Total Liabilities	<u>21,685,388</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	4,900,068
Restricted For:	
Capital Projects	18,498,382
Debt Service	226,785
Set Asides	212,044
Food Service	252,217
Classroom Facilities Maintenance	140,755
Athletic and Music	57,439
Other Purposes	183,564
Unrestricted	<u>2,804,568</u>
Total Net Assets	<u>\$ 27,275,822</u>

See Accompanying Notes to Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 6,054,819	\$ 1,310,326	\$ 438,843	\$ -	(4,305,650)
Special	1,477,407	28,654	1,214,367	-	(234,386)
Vocational	114,884	-	83,325	-	(31,559)
Support Services:					
Pupils	767,388	-	5,000	-	(762,388)
Instructional Staff	420,928	-	-	-	(420,928)
Board of Education	48,423	-	-	-	(48,423)
Administration	1,125,068	-	-	-	(1,125,068)
Fiscal	493,398	-	-	-	(493,398)
Operation and Maintenance of Plant	1,112,268	-	-	9,100	(1,103,168)
Pupil Transportation	805,349	-	-	-	(805,349)
Central	118,220	-	-	-	(118,220)
Non-Instructional Services	610,894	255,743	346,241	-	(8,910)
Extracurricular Activities	350,984	124,067	5,695	-	(221,222)
Interest and Fiscal Charges	810,450	-	-	-	(810,450)
<b>Total Governmental Activities</b>	<b>\$ 14,310,480</b>	<b>\$ 1,718,790</b>	<b>\$ 2,093,471</b>	<b>\$ 9,100</b>	<b>(10,489,119)</b>

General Revenues:

Property Taxes Levied for General Purposes	3,449,130
Property Taxes Levied for Classroom Facilities	101,983
Property Taxes Levied for Debt Service	909,348
Property Taxes Levied for Permanent Improvements	49,741
Income Taxes Levied for General Purposes	752,754
Payment in Lieu of Taxes	28,000
Grants and Entitlements not Restricted to Specific Programs	7,552,811
Interest	108,914
Gifts and Donations	8,872
Miscellaneous	152,998
<b>Total General Revenues</b>	<b>13,114,551</b>
 Change in Net Assets	 2,625,432
 Net Assets at Beginning of Year - Restated (Note 3)	 24,650,390
<b>Net Assets at End of Year</b>	<b>\$ 27,275,822</b>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,445,588	\$ 18,896,313	\$ 1,781,535	\$ 23,123,436
Cash and Cash Equivalents				
with Fiscal Agent	-	-	260	260
Accounts Receivable	13,395	-	287	13,682
Accrued Interest Receivable	190	15,629	366	16,185
Intergovernmental Receivable	1,542	15,487,535	189,703	15,678,780
Income Taxes Receivable	291,323	-	-	291,323
Payment in Lieu of Taxes Receivable	28,000	-	-	28,000
Prepaid Items	29,707	-	-	29,707
Inventory Held for Resale	4,503	-	6,226	10,729
Materials and Supplies Inventory	35,329	-	2,872	38,201
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	212,044	-	-	212,044
Property Taxes Receivable	3,637,912	-	1,172,143	4,810,055
<b>Total Assets</b>	<b>\$ 6,699,533</b>	<b>\$ 34,399,477</b>	<b>\$ 3,153,392</b>	<b>\$ 44,252,402</b>
 <u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 15,239	\$ -	\$ 6,131	\$ 21,370
Accrued Wages and Benefits Payable	828,956	-	175,585	1,004,541
Contracts Payable	-	120,640	4,328	124,968
Matured Compensated Absences Payable	19,245	-	-	19,245
Intergovernmental Payable	263,901	-	53,089	316,990
Deferred Revenue	2,099,705	15,500,439	1,341,613	18,941,757
<b>Total Liabilities</b>	<b>3,227,046</b>	<b>15,621,079</b>	<b>1,580,746</b>	<b>20,428,871</b>
 <u>Fund Balances:</u>				
Nonspendable	69,539	-	9,098	78,637
Restricted	212,044	18,778,398	1,630,704	20,621,146
Committed	76,925	-	-	76,925
Assigned	154,963	-	-	154,963
Unassigned (Deficit)	2,959,016	-	(67,156)	2,891,860
<b>Total Fund Balances</b>	<b>3,472,487</b>	<b>18,778,398</b>	<b>1,572,646</b>	<b>23,823,531</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,699,533</b>	<b>\$ 34,399,477</b>	<b>\$ 3,153,392</b>	<b>\$ 44,252,402</b>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011**

Total Governmental Fund Balances \$ 23,823,531

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,486,156

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

Accounts Receivable	13,395	
Accrued Interest Receivable	13,180	
Intergovernmental Receivable	15,662,019	
Property Taxes Receivable	487,290	
		16,175,884

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 222,652

Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds; it is reported when due. (68,655)

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

General Obligation Bonds Payable	(16,240,366)	
Loans Payable	(207,393)	
Compensated Absences Payable	(895,987)	
Separation Benefits Payable	(20,000)	
		(17,363,746)

Net Assets of Governmental Activities \$ 27,275,822

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 3,383,725	\$ -	\$ 1,053,921	\$ 4,437,646
Income Taxes	752,754	-	-	752,754
Payment in Lieu of Taxes	28,000	-	-	28,000
Intergovernmental	7,242,798	2,816,402	2,599,311	12,658,511
Interest	10,448	87,073	3,838	101,359
Tuition and Fees	1,332,151	-	-	1,332,151
Extracurricular Activities	42,007	-	85,926	127,933
Charges for Services	-	-	255,743	255,743
Gifts and Donations	8,872	-	1,695	10,567
Miscellaneous	138,799	-	46,713	185,512
Total Revenues	<u>12,939,554</u>	<u>2,903,475</u>	<u>4,047,147</u>	<u>19,890,176</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,591,668	-	469,689	6,061,357
Special	901,603	-	575,278	1,476,881
Vocational	70,117	-	43,498	113,615
Support Services:				
Pupils	493,536	-	273,594	767,130
Instructional Staff	310,927	-	107,218	418,145
Board of Education	48,423	-	-	48,423
Administration	904,910	25,036	219,888	1,149,834
Fiscal	396,908	-	64,530	461,438
Operation and Maintenance of Plant	1,093,587	-	5,145	1,098,732
Pupil Transportation	776,639	-	258,090	1,034,729
Central	118,220	-	-	118,220
Non-Instructional Services	-	-	611,904	611,904
Extracurricular Activities	250,732	-	100,697	351,429
Capital Outlay	-	1,406,047	257,263	1,663,310
Debt Service:				
Principal Retirement	-	-	700,915	700,915
Interest and Fiscal Charges	-	56,835	637,246	694,081
Issuance Costs	-	-	297,819	297,819
Total Expenditures	<u>10,957,270</u>	<u>1,487,918</u>	<u>4,622,774</u>	<u>17,067,962</u>
Excess of Revenues Over (Under) Expenditures	<u>1,982,284</u>	<u>1,415,557</u>	<u>(575,627)</u>	<u>2,822,214</u>
<u>Other Financing Sources (Uses):</u>				
General Obligation Bonds Issued	-	-	16,630,000	16,630,000
Premium on General Obligation Bonds Issued	-	-	297,819	297,819
Loan Proceeds	-	-	248,308	248,308
Sale of Capital Assets	1,454	-	-	1,454
Transfers In	-	15,878,892	840,416	16,719,308
Transfers Out	(2,000)	-	(16,717,308)	(16,719,308)
Total Other Financing Sources (Uses)	<u>(546)</u>	<u>15,878,892</u>	<u>1,299,235</u>	<u>17,177,581</u>
Changes in Fund Balances	1,981,738	17,294,449	723,608	19,999,795
Fund Balances at Beginning of Year - Restated (Note 3)	1,490,749	1,483,949	849,038	3,823,736
Fund Balances at End of Year	<u>\$ 3,472,487</u>	<u>\$ 18,778,398</u>	<u>\$ 1,572,646</u>	<u>\$ 23,823,531</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Changes in Fund Balances - Total Governmental Funds \$ 19,999,795

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

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

Capital Outlay - Nodepreciable Capital Assets	1,659,844	
Capital Outlay - Depreciable Capital Assets	302,718	
Depreciation	<u>(152,069)</u>	
		1,810,493

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(1,454)	
Loss on Disposal of Capital Assets	<u>(2,883)</u>	
		(4,337)

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

Property Taxes	72,556	
Intergovernmental	(3,037,607)	
Interest	7,685	
Tuition and Fees	5,367	
Extracurricular Activities	(3,866)	
Miscellaneous	<u>147</u>	
		(2,955,718)

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

General Obligation Bonds Payable	660,000	
Loans Payable	<u>40,915</u>	
		700,915

Debt proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets.

General Obligation Bonds	(16,630,000)	
Loan Proceeds	<u>(248,308)</u>	
		(16,878,308)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when debt is first issued; however, these amounts are deferred and amortized on the statement of activities. Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	(68,655)	
Annual Accretion on Capital Appreciation Bonds	(47,714)	
Amortization of Premium	75,167	
Unamortized Premium	(297,819)	
Amortization of Issuance Costs	(75,167)	
Unamortized Issuance Costs	<u>297,819</u>	
		(116,369)

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

Compensated Absences Payable	(11,039)	
Separation Benefits Payable	<u>80,000</u>	
		<u>68,961</u>

Change in Net Assets of Governmental Activities \$ 2,625,432

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$ 3,209,580	\$ 3,019,534	\$ 3,267,475	\$ 247,941
Income Taxes	645,100	568,303	581,520	13,217
Payment in Lieu of Taxes	28,000	28,000	28,000	-
Intergovernmental	6,427,576	7,115,907	7,282,616	166,709
Interest	10,000	10,263	10,350	87
Tuition and Fees	1,444,119	1,308,235	1,333,741	25,506
Extracurricular Activities	39,500	43,047	43,871	824
Gifts and Donations	7,600	13,256	8,872	(4,384)
Miscellaneous	102,700	140,633	138,465	(2,168)
Total Revenues	<u>11,914,175</u>	<u>12,247,178</u>	<u>12,694,910</u>	<u>447,732</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,195,667	5,885,802	5,628,246	257,556
Special	1,093,357	1,006,610	921,619	84,991
Vocational	116,012	97,312	76,815	20,497
Other	205,000	175,175	119,614	55,561
Support Services:				
Pupils	533,800	573,646	523,305	50,341
Instructional Staff	460,494	389,318	337,366	51,952
Board of Education	30,250	51,850	45,073	6,777
Administration	1,002,234	1,034,732	916,291	118,441
Fiscal	395,755	352,141	397,960	(45,819)
Operation and Maintenance of Plant	1,077,491	1,307,041	1,159,711	147,330
Pupil Transportation	777,891	889,699	818,341	71,358
Central	8,750	120,744	118,231	2,513
Extracurricular Activities	272,664	277,292	246,323	30,969
Total Expenditures	<u>12,169,365</u>	<u>12,161,362</u>	<u>11,308,895</u>	<u>852,467</u>
Excess of Revenues Over (Under) Expenditures	<u>(255,190)</u>	<u>85,816</u>	<u>1,386,015</u>	<u>1,300,199</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	-	1,454	1,454	-
Refund of Prior Year Expenditures	-	543	543	-
Transfers Out	-	(2,000)	(2,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3)</u>	<u>(3)</u>	<u>-</u>
Changes in Fund Balance	(255,190)	85,813	1,386,012	1,300,199
Fund Balance at Beginning of Year	1,025,460	1,025,460	1,025,460	-
Prior Year Encumbrances Appropriated	104,115	104,115	104,115	-
Fund Balance at End of Year	<u>\$ 874,385</u>	<u>\$ 1,215,388</u>	<u>\$ 2,515,587</u>	<u>\$ 1,300,199</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 74,247	\$ 36,030
<u>Liabilities:</u>		
Due to Students	-	\$ 36,030
<u>Net Assets:</u>		
Held in Trust for Scholarships	64,247	
Endowment	10,000	
Total Net Assets	\$ 74,247	

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Additions:

Interest	\$ 63
Gifts and Donations	14,525
Total Additions	<u>14,588</u>

Deductions:

Non-Instructional Services	<u>11,900</u>
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Change in Net Assets 2,688

Net Assets at Beginning of Year - Restated (Note 3) 71,559

Net Assets at End of Year \$ 74,247

See Accompanying Notes to the Basic Financial Statements

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**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1960. The School District serves an area of approximately one hundred sixty-four square miles. It is located in Delaware, Hardin, and Marion Counties. The School District is the 409<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty-two classified employees, eighty-six certified teaching personnel, and eight administrative employees who provide services to 1,300 students and other community members. The School District currently operates two elementary schools, a junior high school, a high school, and an administration building.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Elgin Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Elgin Local School District.

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, Northwestern Ohio Educational Research Council, Inc., Metropolitan Educational Council, Stark County Schools Council of Governments Health Benefit Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Governmental Funds

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

Classroom Facilities Fund - This fund accounts for resources received and restricted to expenditure for contracts entered into by the school district and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Fund Financial Statements

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

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**E. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately with North Central Ohio Educational Service Center are recorded as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2011, the School District invested in nonnegotiable certificates of deposit, federal agency securities, U.S. treasury securities, mutual funds, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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, 2011.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2011 was \$10,448, which includes \$2,520 assigned from other School District funds.

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**I. Restricted Assets**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**J. Capital Assets**

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

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

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

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

**K. Compensated Absences**

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

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**L. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as a liability on the fund financial statements when due.

**M. Unamortized Issuance Costs and Bond Premiums**

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period when the debt is issued.

**N. Net Assets**

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

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

**O. Fund Balance**

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. 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.

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.

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. Interfund Transactions**

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

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

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

**Q. Estimates**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 3 - Change in Accounting Principles and Restatement of Fund Balance/Net Assets**

**A. Change in Accounting Principles**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

**B. Restatement of Fund Balance**

The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$1,450,823	\$1,483,949	\$944,140	\$3,878,912
Change in Fund Structure	39,926	0	(95,102)	(55,176)
Adjusted Fund Balance at June 30, 2010	<u>\$1,490,749</u>	<u>\$1,483,949</u>	<u>\$849,038</u>	<u>\$3,823,736</u>

**C. Restatement of Net Assets**

In addition to the implementation of GASB Statement No. 54, the School District did not correctly calculate the receivable for payment in lieu of taxes, in the prior fiscal year. The restatement had the following effect on net assets.

	Governmental Activities	Private Purpose Trust
Net Assets at June 30, 2010	\$24,733,566	\$16,383
Change in Fund Structure	(55,176)	55,176
Payment in Lieu of Taxes Receivable	(28,000)	0
Restated Net Assets at June 30, 2010	<u>\$24,650,390</u>	<u>\$71,559</u>

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2011, the Education Jobs, Title VI-B, and Title I special revenue funds had deficit fund balances, in the amount of \$32,186, \$18,318, and \$16,652, respectively. These deficits resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 4 - Accountability and Compliance** (continued)

**B. Compliance**

The SACC, Classroom Facilities Maintenance, and Education Jobs special revenue funds, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$391, \$281, \$13,367, \$16,646,414, and \$242,400, respectively, for the fiscal year ended June 30, 2011. The Treasurer will monitor budgetary transactions to ensure that expenditures are within appropriations.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

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

Changes in Fund Balance	
GAAP Basis	\$1,981,738
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2010, Received in Cash FY 2011	1,628,556
Accrued FY 2011, Not Yet Received in Cash	(1,872,657)
	(continued)

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 5 - Budgetary Basis of Accounting** (continued)

Changes in Fund Balance (continued)	
Expenditure Accruals:	
Accrued FY 2010, Paid in Cash FY 2011	(\$1,347,236)
Accrued FY 2011, Not Yet Paid in Cash	1,127,341
Prepaid Items	8,249
Inventory Held for Resale	3,288
Materials and Supplies Inventory	(1,222)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(142,045)
Budget Basis	<u>\$1,386,012</u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 6 - Deposits and Investments** (continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,173,037 of the School District's bank balance of \$4,400,183 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 6 - Deposits and Investments** (continued)

Investments

As of June 30, 2011, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Notes	\$1,676,089	2/13/12
Federal Home Loan Bank Notes	1,123,909	3/26/12
Federal Home Loan Bank Notes	1,675,268	7/20/12
Federal Home Loan Bank Notes	824,216	11/30/12
Federal Home Loan Bank Notes	833,270	12/14/12
Federal Home Loan Bank Notes	134,841	12/28/12
Federal Home Loan Bank Notes	499,835	3/20/13
Federal Home Loan Mortgage Corporation Notes	823,622	5/30/12
Federal Home Loan Mortgage Corporation Notes	1,701,479	9/28/12
Federal Home Loan Mortgage Corporation Notes	1,649,670	11/30/12
Federal Home Loan Mortgage Corporation Notes	715,508	5/23/13
Federal Home Loan Mortgage Corporation Notes	500,165	10/28/13
Federal National Mortgage Association Notes	1,660,498	10/30/12
Federal National Mortgage Association Notes	799,880	12/18/13
U.S. Treasury Notes	1,224,192	3/8/12
U.S. Treasury Notes	773,977	5/3/12
Mutual Funds	800,728	average 72 days
Mutual Funds	7,832	average 35 days
STAR Ohio	1,677,090	average 58.3 days
	<u>\$19,102,069</u>	

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

The Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, U.S. Treasury Notes, and mutual funds carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 6 - Deposits and Investments** (continued)

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

	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank	\$1,676,089	8.78%
Federal Home Loan Bank	5,091,339	26.65
Federal Home Loan Mortgage Corporation	5,390,444	28.22
Federal National Mortgage Association	2,460,378	12.88
U.S. Treasury	1,998,169	10.46

**Note 7 - Receivables**

Receivables at June 30, 2011, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, payment in lieu of taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes and property taxes are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Marion County	\$1,542
Classroom Facilities	
Ohio School Facilities Commission	15,487,535
Other Governmental Funds	
Food Service	\$3,098
Education Jobs	91,399
Title VI-B	15,251
Title I	63,389
Title II-A	16,084
Bond Retirement	429
Permanent Improvement	53
Total Intergovernmental Receivables	<u>\$15,678,780</u>

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 8 - Income Taxes**

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

**Note 9 - Payment in Lieu of Taxes**

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

**Note 10 - Property Taxes**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 10 - Property Taxes** (continued)

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Delaware, Hardin, and Marion Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$1,581,144 in the General Fund, \$3,339 in the Bond Retirement debt service fund, and \$409 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2010, was \$1,464,894 in the General Fund.

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

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$105,630,040	80.22%	\$116,405,350	82.56%
Industrial/Commercial	15,635,980	11.88	14,091,440	9.99
Public Utility	10,399,860	7.90	10,506,510	7.45
Total Assessed Value	<u>\$131,665,880</u>	<u>100.00%</u>	<u>\$141,003,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.17		\$46.17	

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$120,433	\$201,754	\$0	\$322,187
Construction in Progress	342,633	1,458,090	0	1,800,723
Total Nondepreciable Capital Assets	463,066	1,659,844	0	2,122,910
Depreciable Capital Assets				
Land Improvements	130,296	0	(7,138)	123,158
Buildings and Building Improvements	2,454,429	7,138	0	2,461,567
Furniture, Fixtures, and Equipment	957,217	16,630	(50,628)	923,219
Vehicles	1,166,536	278,950	(7,229)	1,438,257
Total Depreciable Capital Assets	4,708,478	302,718	(64,995)	4,946,201
Less Accumulated Depreciation				
Land Improvements	(30,096)	(2,463)	2,879	(29,680)
Buildings and Building Improvements	(784,283)	(68,637)	0	(852,920)
Furniture, Fixtures, and Equipment	(729,476)	(29,822)	50,550	(708,748)
Vehicles	(947,689)	(51,147)	7,229	(991,607)
Total Accumulated Depreciation	(2,491,544)	(152,069)	60,658	(2,582,955)
Depreciable Capital Assets, Net	2,216,934	150,649	(4,337)	2,363,246
Governmental Activities Capital Assets, Net	<u>\$2,680,000</u>	<u>\$1,810,493</u>	<u>(\$4,337)</u>	<u>\$4,486,156</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$74,902
Special	1,920
Vocational	575
Support Services:	
Pupils	87
Administration	1,612
Fiscal	719
Operation and Maintenance of Plant	13,377
Pupil Transportation	50,985
Non-Instructional Services	3,737
Extracurricular Activities	4,155
Total Depreciation Expense	<u>\$152,069</u>

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 12 - 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 2011, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Excess Liability	4,000,000
Automobile Liability	1,000,000
Uninsured Motorists	250,000
Building and Contents	29,065,347

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Note 13 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 13 - Defined Benefit Pension Plans** (continued)

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$663,866, \$629,530, and \$758,992 respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DCP and CP for fiscal year 2011 are not yet available.

**B. School Employees Retirement System**

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

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 13 - Defined Benefit Pension Plans** (continued)

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$172,234, \$179,240, and \$128,212 respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011, four of the five Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 14 - Postemployment Benefits**

**A. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$51,067, \$48,425, and \$58,783 respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 14 - Postemployment Benefits** (continued)

**B. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, the surcharge amount was \$29,168.

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

The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$20,855, \$6,452, and \$58,676 respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$11,084, \$10,659, and \$10,579 respectively; 39 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Note 15 - Other Employee Benefits**

**A. Compensated Absences**

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

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 15 - Other Employee Benefits** (continued)

**B. Health Care Benefits**

The School District offers medical, dental, vision, and life insurance to most employees through the Stark County Schools Council of Governments Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

**C. Separation Benefits**

The School District offers a separation benefit to certified and classified employees who have less than thirty-one years of service for certified employees and twenty-five or more years of service for classified employees. The first year that a certified employee is eligible to participate, the employee will be paid \$20,000. The first year that a classified employee is eligible to participate, the employee will be paid \$5,000. The payment will be made sixty days after proof of retirement is provided to the Treasurer. At the option of the employee, the employee may defer the payment to the next calendar year. At June 30, 2011, the liability for separation benefits was \$20,000.

**Note 16 - Short-Term Obligations**

On May 27, 2010, the School District issued School Improvement bond anticipation notes, in the amount of \$16,630,000, for constructing, renovating, and equipping school facilities. The notes had an interest rate of 1.75 percent and matured on September 15, 2010.

The notes were paid with the proceeds of general obligation bonds.

**Note 17 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement Bonds, 2010A					
Term Bonds 5.966%	\$0	\$2,040,000	\$0	\$2,040,000	\$0
School Facilities Construction and Improvement Bonds, 2010B					
Term Bonds 5.499%	0	11,975,000	0	11,975,000	720,000

(continued)

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 17 - Long-Term Obligations** (continued)

	Balance at 6/30/10	Additions	Reductions	Balance at 6/30/11	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds (continued)					
School Facilities Construction and Improvement Bonds, 2010C					
Serial Bonds 2-3.000%	\$0	\$2,115,000	\$660,000	\$1,455,000	\$0
Capital Appreciation Bonds 11.210%	0	500,000	0	500,000	0
Accretion on Capital Appreciation Bonds	0	47,714	0	47,714	0
Bond Premium	0	297,819	75,167	222,652	0
Total General Obligation Bonds	0	16,975,533	735,167	16,240,366	720,000
Loans Payable	0	248,308	40,915	207,393	42,872
Compensated Absences Payable	884,948	62,127	51,088	895,987	24,872
Total Governmental Activities Long-Term Obligations	<u>\$884,948</u>	<u>\$17,285,968</u>	<u>\$827,170</u>	<u>\$17,343,746</u>	<u>\$787,744</u>

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

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

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 17 - Long-Term Obligations** (continued)

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

School Facilities Construction and Improvement Bonds, 2010B - On August 31, 2010, the School District issued \$11,795,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for a seventeen year period, with final maturity in fiscal year 2028. The bonds are being retired through the Bond Retirement debt service fund.

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

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

School Facilities Construction and Improvement Bonds, 2010C - On August 31, 2010, the School District issued \$2,615,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bond issue included serial and capital appreciation bonds, in the amount of \$2,115,000 and \$500,000, respectively. The bonds were issued for a four year period, with final maturity in fiscal year 2015. The bonds are being retired through the Bond Retirement debt service fund.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature in fiscal year 2015. The maturity amount of the bonds is \$795,000. For fiscal year 2011, \$47,714 was accreted for a total bond value of \$547,714 at fiscal year end.

At June 30, 2011, the School District had unspent proceeds of \$16,368,683.

Loans Payable - On July 30, 2010, the School District entered into loan agreements with the Fahey Banking Company, in the amount of \$248,308, for the purchase of four school buses. The loans have an interest rate of 5 percent. The loans were obtained for a five year period, with final maturity in fiscal year 2016. The loans are being retired through the Permanent Improvements capital projects fund.

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

The School District's overall debt margin was (\$4,128,781) with an unvoted debt margin of \$130,497 at June 30, 2011. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 17 - Long-Term Obligations** (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2011, were as follows:

Fiscal Year Ending	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2012	\$720,000	\$823,861	\$42,872	\$8,779
2013	705,000	813,286	49,136	7,211
2014	750,000	791,461	51,686	4,662
2015	500,000	1,075,211	54,367	1,980
2016	730,000	780,211	9,332	59
2017-2021	3,990,000	3,901,055	0	0
2022-2026	4,605,000	3,901,058	0	0
2027-2031	3,970,000	1,251,185	0	0
	<u>\$15,970,000</u>	<u>\$13,337,328</u>	<u>\$207,393</u>	<u>\$22,691</u>

**Note 18 - Set Asides**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	\$172,193	\$0
Current Year Set Aside Requirement	184,338	184,338
Qualifying Expenditures	(144,487)	(184,338)
Balance June 30, 2011	<u>\$212,044</u>	<u>\$0</u>

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 19 - Fund Balance**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Classroom Facilities	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	\$29,707	\$0	\$0	\$29,707
Inventory Held for Resale	4,503	0	6,226	10,729
Materials and Supplies Inventory	35,329	0	2,872	38,201
<b>Total Nonspendable</b>	<b>69,539</b>	<b>0</b>	<b>9,098</b>	<b>78,637</b>
Restricted for:				
Textbooks and Instructional Materials	212,044	0	0	212,044
Food Service Operations	0	0	249,599	249,599
Athletics and Music	0	0	57,439	57,439
Regular Instruction	0	0	58,989	58,989
Technology Improvement	0	0	5,100	5,100
Student Intervention	0	0	3,849	3,849
Special Needs Children	0	0	220	220
Teacher Improvement	0	0	5,877	5,877
Community Involvement	0	0	15,555	15,555
English Proficiency	0	0	40	40
Bond Retirement	0	0	511,294	511,294
Facilities Maintenance	0	0	140,755	140,755
Capital Improvements	0	18,778,398	581,987	19,360,385
<b>Total Restricted</b>	<b>212,044</b>	<b>18,778,398</b>	<b>1,630,704</b>	<b>20,621,146</b>
Committed for:				
Facilities Expansion	76,925	0	0	76,925

(continued)

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**Note 19 - Fund Balance** (continued)

Fund Balance	General	Classroom Facilities	Other Governmental	Total Governmental Funds
Assigned for:				
Instructional Materials	\$4,503	\$0	\$0	\$4,503
Student Activities	25,628	0	0	25,628
Unpaid Obligations	124,832	0	0	124,832
Total Assigned	154,963	0	0	154,963
Unassigned:	2,959,016	0	(67,156)	2,891,860
Total Fund Balance	<u>\$3,472,487</u>	<u>\$18,778,398</u>	<u>\$1,572,646</u>	<u>\$23,823,531</u>

**Note 20 - Interfund Transfers**

During fiscal year 2011, the General Fund made transfers to other governmental funds, in the amount of \$2,000, to subsidize programs in other funds. Other governmental funds made transfers to the Classroom Facilities capital projects fund and other governmental funds, in the amount of \$15,878,892 and 838,416, respectively, to move receipts as debt payments became due.

**Note 21 - Donor Restricted Endowments**

The School District's private purpose trust funds includes donor restricted endowments. Endowment, in the amount of \$10,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$64,247 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**Note 22 - Jointly Governed Organizations**

**A. Tri-Rivers Educational Computer Association**

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2011, the School District paid \$55,575 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 22 - Jointly Governed Organizations** (continued)

**B. Tri-Rivers Joint Vocational School**

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

**C. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**D. Metropolitan Educational Council**

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

**Note 23 - Insurance Pools**

**A. Stark County Schools Council of Governments Health Benefit Plan**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**Note 23 - Insurance Pools** (continued)

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

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

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

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

**Note 24 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

**B. Litigation**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b> <i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 39,301	\$ 39,301
Cash Assistance:			
School Breakfast Program	10.553	62,766	62,766
National School Lunch Program	10.555	231,571	231,571
Summer Food Service Program for Children	10.559	5,581	5,581
Cash Assistance Subtotal:		<u>299,918</u>	<u>299,918</u>
Total Child Nutrition Cluster		<u>339,219</u>	<u>339,219</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>339,219</u></b>	<b><u>339,219</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b> <i>Passed Through the Ohio Department of Education</i>			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	147,331	147,583
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	81,936	85,723
Total Title I Cluster		<u>229,267</u>	<u>233,306</u>
Special Education Cluster			
Special Education_Grants to States	84.027	296,402	299,348
ARRA-Special Education Grants to States, Recovery Act	84.391	215,800	207,255
Total Special Education Cluster		<u>512,202</u>	<u>506,603</u>
Education Technology State Grants	84.318	512	512
Improving Teacher Quality State Grants	84.367	60,794	63,989
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	511,055	488,748
Education Jobs Fund	84.410	268,841	235,367
<b>Total U.S. Department of Education</b>		<b><u>1,582,671</u></b>	<b><u>1,528,525</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 1,921,890</u></b>	<b><u>\$ 1,867,744</u></b>

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Elgin Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *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 more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 23, 2011.

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



**Dave Yost**  
Auditor of State

August 23, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Elgin Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Elgin Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Elgin Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 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.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated August 23, 2011.

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



**Dave Yost**  
Auditor of State

August 23, 2011

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Child Nutrition Cluster</u> CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program CFDA #10.559 – Summer Food Service Program for Children  <u>Special Education Cluster</u> CFDA #84.027 – Special Education Grants to States CFDA #84.391 – Special Education Grants to States, Recovery Act  CFDA #84.394 – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011  
(Continued)**

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-01	Approval of Purchase Orders	Yes	

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. In our report dated August 18, 2010, we noted the Board adopted an anti-harassment policy on January 25, 2008. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on November 29, 2010. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

August 23, 2011

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# Dave Yost • Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 13, 2011**