



Dave Yost • Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as 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 financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2013

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of Elgin Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

In total, net position increased \$886,403, or 3 percent.

General revenues accounted for 80 percent of total revenues for fiscal year 2013 demonstrating the School District's significant dependence on property taxes, income taxes, and unrestricted State entitlements.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

In the statement of net position and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues, income tax revenues, and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the costs of the goods or services provided. The School Age Child Care program (afterschool activities) is reported as a business-type activity.

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, the Bond Retirement Fund, and the Classroom Facilities Fund.

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

Enterprise Fund - The School District's enterprise fund is used to report the same function that is presented as a business-type activity on the government-wide financial statements and uses the accrual basis of accounting. The School District uses an enterprise fund to account for the School Age Child Care program (afterschool activities).

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 and fiscal year 2012:

Table 1
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$22,709,939	\$42,174,355	\$0	\$23	\$22,709,939	\$42,174,378
Capital Assets, Net	30,119,723	10,687,348	0	0	30,119,723	10,687,348
Total Assets	<u>52,829,662</u>	<u>52,861,703</u>	<u>0</u>	<u>23</u>	<u>52,829,662</u>	<u>52,861,726</u>
Liabilities						
Current and Other Liabilities	3,278,547	3,218,931	0	0	3,278,547	3,218,931
Long-Term Liabilities	16,492,288	17,381,267	0	0	16,492,288	17,381,267
Total Liabilities	<u>19,770,835</u>	<u>20,600,198</u>	<u>0</u>	<u>0</u>	<u>19,770,835</u>	<u>20,600,198</u>
Deferred Inflows of Resources	<u>2,935,044</u>	<u>3,024,148</u>	<u>0</u>	<u>0</u>	<u>2,935,044</u>	<u>3,024,148</u>
Net Position						
Net Investment in Capital Assets	21,165,283	10,910,163	0	0	21,165,283	10,910,163
Restricted	4,006,574	14,105,981	0	0	4,006,574	14,105,981
Unrestricted	4,951,926	4,221,213	0	23	4,951,926	4,221,236
Total Net Position	<u>\$30,123,783</u>	<u>\$29,237,357</u>	<u>\$0</u>	<u>\$23</u>	<u>\$30,123,783</u>	<u>\$29,237,380</u>

The above table reflects a couple of significant changes from the prior fiscal year. Note the decreases in current and other assets and restricted net assets as well as the increases in net capital assets and net investment in capital assets. This is all related to the ongoing facility construction project in association with the Ohio School Facilities Commission who is funding a portion of the project. The remainder of the project is being funded through general obligation bonds that were issued by the School District in prior years.

For the business-type activity, there was no balance as of fiscal year end for the school age child care program.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

Table 2 reflects the change in net position for fiscal year 2013 and fiscal year 2012.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$1,374,265	\$1,350,654	\$18,043	\$15,138	\$1,392,308	\$1,365,792
Operating Grants, Contributions, and Interest	1,714,688	1,816,211	0	0	1,714,688	1,816,211
Capital Grants and Contributions	7,200	7,200	0	0	7,200	7,200
Total Program Revenues	3,096,153	3,174,065	18,043	15,138	3,114,196	3,189,203
General Revenues						
Property Taxes Levied for General Purposes	3,353,115	3,257,466	0	0	3,353,115	3,257,466
Property Taxes Levied for Classroom Facilities	63,598	67,391	0	0	63,598	67,391
Property Taxes Levied for Debt Service	931,293	900,286	0	0	931,293	900,286
Property Taxes Levied for Permanent Improvements	51,465	43,865	0	0	51,465	43,865
Income Taxes Levied for General Purposes	990,544	865,719	0	0	990,544	865,719
Payment in Lieu of Taxes	28,000	28,000	0	0	28,000	28,000
Grants and Entitlements	6,937,292	7,000,885	0	0	6,937,292	7,000,885
Interest	57,170	109,552	0	0	57,170	109,552
Gifts and Donations	7,508	10,206	0	0	7,508	10,206
Miscellaneous	222,679	294,831	0	0	222,679	294,831
Total General Revenues	12,642,664	12,578,201	0	0	12,642,664	12,578,201
Total Revenues	15,738,817	15,752,266	18,043	15,138	15,756,860	15,767,404
Expenses						
Instruction:						
Regular	7,094,886	6,044,318	0	0	7,094,886	6,044,318
Special	1,416,541	1,436,736	0	0	1,416,541	1,436,736
Vocational	110,666	112,161	0	0	110,666	112,161
Support Services:						
Pupils	624,900	778,678	0	0	624,900	778,678
Instructional Staff	272,967	219,611	0	0	272,967	219,611
Board of Education	29,747	46,425	0	0	29,747	46,425
Administration	1,032,696	1,037,100	0	0	1,032,696	1,037,100
Fiscal	461,308	470,928	0	0	461,308	470,928
Business	16,309	0	0	0	16,309	0
Operation of Maintenance of Plant	782,331	955,534	0	0	782,331	955,534
Pupil Transportation	850,849	829,837	0	0	850,849	829,837
Central	121,138	8,080	0	0	121,138	8,080
Non-Instructional Services	590,824	594,477	0	0	590,824	594,477
Extracurricular Activities	413,560	353,027	0	0	413,560	353,027
Interest and Fiscal Charges	1,033,669	903,819	0	0	1,033,669	903,819
School Age Child Care	0	0	18,066	15,115	18,066	15,115
Total Expenses	14,852,391	13,790,731	18,066	15,115	14,870,457	13,805,846
Increase (Decrease) in Net Position	886,426	1,961,535	(23)	23	886,403	1,961,558
Net Position at Beginning of Year	29,237,357	27,275,822	23	0	29,237,380	27,275,822
Net Position at End of Year	\$30,123,783	\$29,237,357	\$0	\$23	\$30,123,783	\$29,237,380

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

For governmental activities, there was very little change in total revenues from the prior fiscal year. There was a modest decrease in program revenues due to the expiration of the Education Jobs grant and a modest increase in general revenues, generally due to continuing economic improvements and, therefore, an increase in income taxes.

Program expenses for governmental activities increased over 7 percent from fiscal year 2012, in part, due to several staff additions and to the disposal of capital assets at a loss. As is to be expected, the instruction program represents the School District's largest expense, representing 58 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.

There was little change for the business-type activity.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction:				
Regular	\$7,094,886	\$6,044,318	\$6,020,627	\$4,970,733
Special	1,416,541	1,436,736	185,571	192,463
Vocational	110,666	112,161	57,527	35,950
Support Services:				
Pupils	624,900	778,678	624,900	778,678
Instructional Staff	272,967	219,611	272,967	219,611
Board of Education	29,747	46,425	29,747	46,425
Administration	1,032,696	1,037,100	1,032,696	1,037,100
Fiscal	461,308	470,928	461,308	470,928
Business	16,309	0	16,309	0
Operation and Maintenance of Plant	782,331	955,534	775,131	948,334
Pupil Transportation	850,849	829,837	850,849	782,685
Central	121,138	8,080	121,138	8,080
Non-Instructional Services	590,824	594,477	(4,386)	15,607
Extracurricular Activities	413,560	353,027	278,185	206,253
Interest and Fiscal Charges	1,033,669	903,819	1,033,669	903,819
Total Expenses	<u>\$14,852,391</u>	<u>\$13,790,731</u>	<u>\$11,756,238</u>	<u>\$10,616,666</u>

The net costs of the School District's programs for fiscal year 2013 was very similar to the prior fiscal year (79 percent for fiscal year 2013, 77 percent for fiscal year 2012). The above table also demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, 27 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. For fiscal year, 2013, the entire cost of the non-instructional services program was provided for through program revenues.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service. The extracurricular activities program provided for almost 33 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.

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased 15 percent from the prior fiscal year. Although revenues were very similar to the fiscal year 2012 and expenditures increased, revenues were in excess of expenditures for the fiscal year.

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

Fund balance decreased 16.8 million in the Classroom Facilities Fund as resources were spent on ongoing construction of new school facilities.

Business-Type Activity Financial Analysis

The School District's only business-type activity is the School Age Child Care program. Revenues and expenses for the program were very similar to the prior year and the School District basically operates this program to break even each fiscal year.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During fiscal year 2013, the School District amended its General Fund budget as needed.

For revenues and expenditures, changes from the original budget to the final budget as well as from the final budget to actual revenues and expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$30,119,723 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of engineering and construction costs related to the new building construction. Significant disposals included several modular classrooms, a walk-in cooler, and some bleachers. 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 \$15,588,639, for school construction. The school district also had outstanding loans for buses and capital leases, in the amount of \$111,170 and \$40,950, respectively. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 18 and 19 to the basic financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

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

In 2009, the voters of the School District approved a .75 percent income tax. This is a continuing tax to be collected on earned income. This revenue provides for the operational needs of the School District. The current emergency levy (\$852,970) was renewed in 2011 for five years.

In 2009, the voters of the School District also approved a 7.49 mill bond levy. This revenue is being 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 for maintenance of the new building and the other .5 mills will be used for various permanent improvements in the School District. The new K-12 building will be finished for students to start 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 POSITION
JUNE 30, 2013**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$14,691,369
Cash and Cash Equivalents	
with Fiscal Agent	717,431
Cash and Cash Equivalents	
with Escrow Agents	373,853
Accounts Receivable	38,780
Accrued Interest Receivable	13,909
Intergovernmental Receivable	1,562,080
Income Taxes Receivable	290,232
Payment in Lieu of Taxes Receivable	28,000
Prepaid Items	29,000
Inventory Held for Resale	7,342
Materials and Supplies Inventory	18,887
Property Taxes Receivable	4,939,056
Nondepreciable Capital Assets	28,479,983
Depreciable Capital Assets, Net	1,639,740
Total Assets	52,829,662
 <u>Liabilities:</u>	
Accounts Payable	33,780
Accrued Wages and Benefits Payable	972,421
Contracts Payable	1,311,865
Matured Compensated Absences Payable	160,444
Intergovernmental Payable	293,472
Retainage Payable	439,672
Accrued Interest Payable	66,893
Long-Term Liabilities:	
Due Within One Year	858,696
Due in More Than One Year	15,633,592
Total Liabilities	19,770,835
 <u>Deferred Inflows of Resources</u>	
Property Taxes	2,907,044
Payment in Lieu of Taxes	28,000
Total Deferred Inflows of Resources	2,935,044
 <u>Net Position:</u>	
Net Investment in Capital Assets	21,165,283
Restricted For:	
Capital Projects	2,110,641
Debt Service	1,260,153
Food Service	244,344
Classroom Facilities Maintenance	281,068
Other Purposes	110,368
Unrestricted	4,951,926
Total Net Position	\$30,123,783

See Accompanying Notes to Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$7,094,886	\$1,016,124	\$58,135	\$0
Special	1,416,541	8,834	1,222,136	0
Vocational	110,666	0	53,139	0
Support Services:				
Pupils	624,900	0	0	0
Instructional Staff	272,967	0	0	0
Board of Education	29,747	0	0	0
Administration	1,032,696	0	0	0
Fiscal	461,308	0	0	0
Business	16,309	0	0	0
Operation and Maintenance of Plant	782,331	0	0	7,200
Pupil Transportation	850,849	0	0	0
Central	121,138	0	0	0
Non-Instructional Services	590,824	226,122	369,088	0
Extracurricular Activities	413,560	123,185	12,190	0
Interest and Fiscal Charges	1,033,669	0	0	0
Total Governmental Activities	14,852,391	1,374,265	1,714,688	7,200
<u>Business-Type Activity</u>				
School Age Child Care	18,066	18,043	0	0
Total	\$14,870,457	\$1,392,308	\$1,714,688	\$7,200

General Revenues:

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

Change in Net Position

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

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-Type Activity	Total
(\$6,020,627)	\$0	(\$6,020,627)
(185,571)	0	(185,571)
(57,527)	0	(57,527)
(624,900)	0	(624,900)
(272,967)	0	(272,967)
(29,747)	0	(29,747)
(1,032,696)	0	(1,032,696)
(461,308)	0	(461,308)
(16,309)	0	(16,309)
(775,131)	0	(775,131)
(850,849)	0	(850,849)
(121,138)	0	(121,138)
4,386	0	4,386
(278,185)	0	(278,185)
(1,033,669)	0	(1,033,669)
(11,756,238)	0	(11,756,238)
0	(23)	(23)
(11,756,238)	(23)	(11,756,261)
3,353,115	0	3,353,115
63,598	0	63,598
931,293	0	931,293
51,465	0	51,465
990,544	0	990,544
28,000	0	28,000
6,937,292	0	6,937,292
57,170	0	57,170
7,508	0	7,508
222,679	0	222,679
12,642,664	0	12,642,664
886,426	(23)	886,403
29,237,357	23	29,237,380
<u>\$30,123,783</u>	<u>\$0</u>	<u>\$30,123,783</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$4,838,360	\$744,474	\$7,996,852	\$1,111,683	\$14,691,369
Cash and Cash Equivalents					
with Fiscal Agent	0	0	0	749	749
Accounts Receivable	38,780	0	0	0	38,780
Accrued Interest Receivable	1,848	8,250	3,659	152	13,909
Interfund Receivable	16,462	0	0	0	16,462
Intergovernmental Receivable	0	0	1,455,690	106,390	1,562,080
Income Taxes Receivable	290,232	0	0	0	290,232
Payment in Lieu of Taxes Receivable	28,000	0	0	0	28,000
Prepaid Items	29,000	0	0	0	29,000
Inventory Held for Resale	1,648	0	0	5,694	7,342
Materials and Supplies Inventory	16,836	0	0	2,051	18,887
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	716,682	0	0	716,682
Cash and Cash Equivalents with Escrow Agents	0	0	368,358	5,495	373,853
Property Taxes Receivable	3,888,060	942,000	0	108,996	4,939,056
Total Assets	\$9,149,226	\$2,411,406	\$9,824,559	\$1,341,210	\$22,726,401
Liabilities					
Accounts Payable	\$29,100	\$0	\$0	\$4,680	\$33,780
Accrued Wages and Benefits Payable	924,465	0	0	47,956	972,421
Contracts Payable	0	0	1,292,969	18,896	1,311,865
Matured Compensated Absences Payable	152,839	0	0	7,605	160,444
Interfund Payable	0	0	0	16,462	16,462
Intergovernmental Payable	276,084	0	0	17,388	293,472
Retainage Payable	0	0	64,851	968	65,819
Payable from Restricted Assets:					
Retainage Payable	0	0	368,358	5,495	373,853
Total Liabilities	1,382,488	0	1,726,178	119,450	3,228,116
Deferred Inflows of Resources					
Property Taxes	1,856,048	942,000	0	108,996	2,907,044
Payment in Lieu of Taxes	28,000	0	0	0	28,000
Unavailable Revenue	528,227	8,250	1,456,600	37,473	2,030,550
Total Deferred Inflows of Resources	2,412,275	950,250	1,456,600	146,469	4,965,594
Fund Balances:					
Nonspendable	45,836	0	0	2,051	47,887
Restricted	1,648	1,461,156	6,641,781	1,073,569	9,178,154
Committed	76,925	0	0	0	76,925
Assigned	173,630	0	0	0	173,630
Unassigned (Deficit)	5,056,424	0	0	(329)	5,056,095
Total Fund Balances	5,354,463	1,461,156	6,641,781	1,075,291	14,532,691
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$9,149,226	\$2,411,406	\$9,824,559	\$1,341,210	\$22,726,401

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total Governmental Fund Balances		\$14,532,691
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		30,119,723
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Accounts Receivable	8,621	
Accrued Interest Receivable	10,068	
Intergovernmental Receivable	1,493,126	
Delinquent Property Taxes Receivable	<u>518,735</u>	
		2,030,550
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.		
		(66,893)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General Obligation Bonds Payable	(15,588,639)	
Loans Payable	(111,170)	
Capital Leases Payable	(40,950)	
Compensated Absences Payable	<u>(751,529)</u>	
		<u>(16,492,288)</u>
Net Position of Governmental Activities		<u><u>\$30,123,783</u></u>

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, 2013**

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Revenues:					
Property Taxes	\$3,374,888	\$938,880	\$0	\$115,984	\$4,429,752
Income Taxes	990,544	0	0	0	990,544
Payment in Lieu of Taxes	28,000	0	0	0	28,000
Intergovernmental	7,020,661	722,892	3,270,562	890,157	11,904,272
Interest	14,812	0	44,129	1,636	60,577
Tuition and Fees	1,029,257	0	0	0	1,029,257
Extracurricular Activities	28,231	0	0	95,029	123,260
Charges for Services	0	0	0	226,010	226,010
Gifts and Donations	7,508	0	0	13,475	20,983
Miscellaneous	199,505	0	731	10,628	210,864
Total Revenues	12,693,406	1,661,772	3,315,422	1,352,919	19,023,519
Expenditures:					
Current:					
Instruction:					
Regular	6,484,276	0	0	68,496	6,552,772
Special	1,263,956	0	0	165,538	1,429,494
Vocational	110,175	0	0	0	110,175
Support Services:					
Pupils	430,257	0	0	197,745	628,002
Instructional Staff	245,192	0	0	37,291	282,483
Board of Education	29,747	0	0	0	29,747
Administration	1,040,592	0	0	7,336	1,047,928
Fiscal	405,114	27,828	20,569	4,124	457,635
Business	16,309	0	0	0	16,309
Operation and Maintenance of Plant	777,060	0	0	7,200	784,260
Pupil Transportation	814,131	0	0	1,098	815,229
Central	121,138	0	0	0	121,138
Non-Instructional Services	0	0	0	594,747	594,747
Extracurricular Activities	261,411	0	0	172,314	433,725
Capital Outlay	12,550	0	19,723,462	368,365	20,104,377
Debt Service:					
Principal Retirement	16,857	705,000	0	49,341	771,198
Interest and Fiscal Charges	2,357	813,286	0	7,006	822,649
Total Expenditures	12,031,122	1,546,114	19,744,031	1,680,601	35,001,868
Excess of Revenues Over (Under) Expenditures	662,284	115,658	(16,428,609)	(327,682)	(15,978,349)
Other Financing Sources (Uses):					
Sale of Capital Assets	42,144	0	0	0	42,144
Transfers In	0	0	0	434,302	434,302
Transfers Out	0	0	(434,302)	0	(434,302)
Total Other Financing Sources (Uses)	42,144	0	(434,302)	434,302	42,144
Changes in Fund Balances	704,428	115,658	(16,862,911)	106,620	(15,936,205)
Fund Balances at Beginning of Year	4,650,035	1,345,498	23,504,692	968,671	30,468,896
Fund Balances at End of Year	<u>\$5,354,463</u>	<u>\$1,461,156</u>	<u>\$6,641,781</u>	<u>\$1,075,291</u>	<u>\$14,532,691</u>

**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, 2013**

Changes in Fund Balances - Total Governmental Funds (\$15,936,205)

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	20,088,889	
Capital Outlay - Depreciable Capital Assets	57,195	
Depreciation	<u>(104,113)</u>	
		20,041,971

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

Proceeds from Sale of Capital Assets	(42,144)	
Gain on Disposal of Capital Assets	13,131	
Loss on Disposal of Capital Assets	<u>(580,583)</u>	
		(609,596)

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

Delinquent Property Taxes	(30,281)	
Intergovernmental	(3,258,051)	
Interest	(3,238)	
Tuition and Fees	(5,165)	
Gifts and Donations	(760)	
Miscellaneous	<u>(338)</u>	
		(3,297,833)

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

General Obligation Bonds	705,000	
Loans	49,341	
Capital Leases	<u>16,857</u>	
		771,198

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position.

Accrued Interest	(220,890)	
Annual Accretion on Capital Appreciation Bonds	(70,422)	
Amortization of Premium	<u>80,292</u>	
		(211,020)

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	107,911	
Separation Benefits	<u>20,000</u>	
		127,911

Change in Net Position of Governmental Activities \$886,426

**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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$3,448,980	\$3,428,980	\$3,408,132	(\$20,848)
Income Taxes	850,000	954,353	991,635	37,282
Payment in Lieu of Taxes	28,000	26,947	28,000	1,053
Intergovernmental	6,872,033	6,751,367	7,020,661	269,294
Interest	9,000	13,444	14,789	1,345
Tuition and Fees	1,046,452	1,003,531	1,029,295	25,764
Extracurricular Activities	37,300	31,239	28,231	(3,008)
Gifts and Donations	13,500	13,418	7,517	(5,901)
Miscellaneous	135,221	168,066	166,631	(1,435)
Total Revenues	<u>12,440,486</u>	<u>12,391,345</u>	<u>12,694,891</u>	<u>303,546</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,231,454	6,456,060	6,437,593	18,467
Special	1,166,360	1,316,529	1,311,620	4,909
Vocational	106,310	111,125	110,018	1,107
Support Services:				
Pupils	490,005	463,638	459,082	4,556
Instructional Staff	231,290	245,731	240,484	5,247
Board of Education	42,850	34,945	34,191	754
Administration	1,103,532	1,075,064	1,054,183	20,881
Fiscal	361,190	373,912	407,810	(33,898)
Business	0	16,425	16,309	116
Operation and Maintenance of Plant	889,633	915,055	864,207	50,848
Pupil Transportation	825,773	836,669	820,945	15,724
Central	6,625	111,065	110,895	170
Extracurricular Activities	252,345	255,967	259,388	(3,421)
Capital Outlay	12,400	12,550	12,550	0
Total Expenditures	<u>11,719,767</u>	<u>12,224,735</u>	<u>12,139,275</u>	<u>85,460</u>
Excess of Revenues Over Expenditures	<u>720,719</u>	<u>166,610</u>	<u>555,616</u>	<u>389,006</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	0	45,986	42,144	(3,842)
Refund of Prior Year Expenditures	0	3,155	3,155	0
Advances Out	0	0	(493)	(493)
Total Other Financing Sources (Uses)	<u>0</u>	<u>49,141</u>	<u>44,806</u>	<u>(4,335)</u>
Changes in Fund Balance	720,719	215,751	600,422	384,671
Fund Balance at Beginning of Year	3,927,088	3,927,088	3,927,088	0
Prior Year Encumbrances Appropriated	163,767	163,767	163,767	0
Fund Balance at End of Year	<u>\$4,811,574</u>	<u>\$4,306,606</u>	<u>\$4,691,277</u>	<u>\$384,671</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>School Age Child Care</u>
<u>Operating Revenues:</u>	
Charges for Services	\$18,043
<u>Operating Expenses:</u>	
Purchased Services	<u>18,066</u>
Operating Loss	(23)
Net Position at Beginning of Year	<u>23</u>
Net Position at End of Year	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>School Age Child Care</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$18,043
Cash Payments for Goods and Services	<u>(18,066)</u>
Net Cash Used for Operating Activities	(23)
Cash and Cash Equivalents at Beginning of Year	<u>23</u>
Cash and Cash Equivalents at End of Year	<u><u>\$0</u></u>
<u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	<u><u>(\$23)</u></u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$74,585	\$46,119
<u>Liabilities:</u>		
Due to Students	0	\$46,119
<u>Net Position:</u>		
Held in Trust for Scholarships	64,585	
Endowment	10,000	
Total Net Position	\$74,585	

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Additions:

Interest	\$42
Gifts and Donations	<u>13,000</u>
Total Additions	13,042

Deductions:

Non-Instructional Services	<u>14,169</u>
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Change in Net Position (1,127)

Net Position at Beginning of Year 75,712

Net Position at End of Year \$74,585

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 425th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-four classified employees, seventy-nine certified teaching personnel, and ten administrative employees who provide services to 1,141 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 three jointly governed organizations and three insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, Metropolitan Educational Council, Ohio School Plan, 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 24 and 25 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The basic financial statements of Elgin Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the School District's accounting policies.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type 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 and business-type 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 or business activity 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 and enterprise 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 three categories; governmental, proprietary, and fiduciary.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

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

Classroom Facilities Fund - The Classroom Facilities Fund is used to account 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.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one enterprise fund, which is not a major fund, that accounts for the operations of an after school care program.

Fiduciary Funds

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

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.

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise activity.

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

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District did not report any deferred outflows of resources for fiscal year 2013.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

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

F. Cash and Investments

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

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

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agents".

During fiscal year 2013, the School District invested in nonnegotiable certificates of deposit, federal agency securities, US 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 net asset value per share, which is the price the investment could be sold for on June 30, 2013.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$14,812, which includes \$11,391 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, 2013, 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.

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

Resources set aside in separate escrow accounts, whose use is limited to the payment of retainage to contractors, are reported as restricted.

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 position but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 - 50 years
Vehicles	10 - 20 years

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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, long-term loans, and capital leases are recognized as a liability on the fund financial statements when due.

N. Unamortized Bond Premiums

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

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

O. Net Position

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

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

P. Fund Balance

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

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are charges for services for an after school child care program. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. 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 and after nonoperating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. 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, 2013
(Continued)**

Note 3 - Change in Accounting Principals

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus", " Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements which are a type of public-public or public-private partnership. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets or liabilities as inflows of resources (revenues) or outflows of resources (expenses or expenditures). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and, thereby, enhance the usefulness of the financial reports. The implementation of this statement did not result in any change to the School District's financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 4 - Accountability

At June 30, 2013, the Other Grants special revenue fund had a deficit fund balance, in the amount of \$329, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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	\$704,428
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2012, Received in Cash FY 2013	1,839,285
Accrued FY 2013, Not Yet Received in Cash	(1,834,645)
	(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 5 - Budgetary Basis of Accounting (continued)

Changes in Fund Balance (continued)	
Expenditure Accruals:	
Accrued FY 2012, Paid in Cash FY 2013	(\$1,343,014)
Accrued FY 2013, Not Yet Paid in Cash	1,382,488
Prepaid Items	3,954
Inventory Held for Resale	3,977
Materials and Supplies Inventory	7,494
Advances Out	(493)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(163,052)</u>
Budget Basis	<u><u>\$600,422</u></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;
3. Written repurchase agreements in the securities listed above;

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 6 - Deposits and Investments (continued)

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, \$1,606,903 of the School District's bank balance of \$7,118,464 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2013, the School District had the following investments:

	Fair Value	Maturity
Federal Home Loan Bank Notes	\$825,050	7/12/13
Federal Home Loan Bank Notes	999,960	9/24/13
Federal Home Loan Bank Notes	1,659,917	10/25/13
Federal Home Loan Bank Notes	799,800	11/8/13
Federal Home Loan Bank Notes	380,103	2/18/14
Federal Home Loan Bank Notes	673,680	9/13/19
Federal National Mortgage Association Notes	802,344	12/18/13
Federal National Mortgage Association Notes	314,820	1/21/14

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 6 - Deposits and Investments (continued)

	<u>Fair Value</u>	<u>Maturity</u>
US Treasury Notes	\$619,845	11/14/13
US Treasury Notes	1,665,000	12/31/13
Mutual Funds	290	48 days
Mutual Funds	49,902	53 days
STAR Ohio	365,211	57.5 days
	<u>\$9,155,922</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 Home Loan Bank Notes, Federal National Mortgage Association Notes, US Treasury Notes, and mutual funds carry a rating of Aaa or P-1 by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	\$5,338,510	58.31%
Federal National Mortgage Association	1,117,164	12.20
US Treasury	2,284,845	24.95

Note 7 - Receivables

Receivables at June 30, 2013, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Classroom Facilities	
Ohio School Facilities Commission	\$1,455,690
Other Governmental Funds	
Other Grants	3,000
Title VI-B	28,811
Title I	58,610
Title II-A	15,969
Total Intergovernmental Receivables	<u><u>\$1,562,080</u></u>

Note 8 - Income Taxes

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

Note 9 - 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 10 - Property Taxes (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Delaware, Hardin, and Marion Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2013, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources - property taxes.

The amount available as an advance at June 30, 2013, was \$1,513,277 in the General Fund. The amount available as an advance at June 30, 2012, was \$1,546,521 in the General Fund, \$4,910 in the Bond Retirement debt service fund, and \$595 in the Permanent Improvement capital projects fund.

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

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$118,638,130	84.08%	\$119,143,840	83.75%
Industrial/Commercial	11,414,150	8.09	11,317,010	7.95
Public Utility	11,037,900	7.83	11,811,790	8.30
Total Assessed Value	<u>\$141,090,180</u>	<u>100.00%</u>	<u>\$142,272,640</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.78		\$45.75	

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$322,187	\$0	\$0	\$322,187
Construction in Progress	8,068,907	20,088,889	0	28,157,796
Total Nondepreciable Capital Assets	<u>8,391,094</u>	<u>20,088,889</u>	<u>0</u>	<u>28,479,983</u>
Depreciable Capital Assets				
Land Improvements	123,158	0	0	123,158
Buildings and Building Improvements	2,461,567	0	(741,798)	1,719,769
Furniture, Fixtures, and Equipment	993,625	38,655	(573,272)	459,008
Vehicles	1,438,257	18,540	0	1,456,797
Total Depreciable Capital Assets	<u>5,016,607</u>	<u>57,195</u>	<u>(1,315,070)</u>	<u>3,758,732</u>
Less Accumulated Depreciation				
Land Improvements	(32,130)	(2,386)	0	(34,516)
Buildings and Building Improvements	(918,678)	(34,926)	259,757	(693,847)
Furniture, Fixtures, and Equipment	(736,041)	(25,498)	445,717	(315,822)
Vehicles	(1,033,504)	(41,303)	0	(1,074,807)
Total Accumulated Depreciation	<u>(2,720,353)</u>	<u>(104,113)</u>	<u>705,474</u>	<u>(2,118,992)</u>
Depreciable Capital Assets, Net	<u>2,296,254</u>	<u>(46,918)</u>	<u>(609,596)</u>	<u>1,639,740</u>
Governmental Activities Capital Assets, Net	<u>\$10,687,348</u>	<u>\$20,041,971</u>	<u>(\$609,596)</u>	<u>\$30,119,723</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$45,874
Special	1,920
Vocational	204
Support Services:	
Pupils	87
Administration	1,915
Fiscal	419
Operation and Maintenance of Plant	7,501
Pupil Transportation	40,676
Non-Instructional Services	938
Extracurricular Activities	4,579
Total Depreciation Expense	<u>\$104,113</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 12 - Interfund

At June 30, 2013, the General Fund had an interfund receivable, in the amount of \$16,462, from other governmental funds for short-term loans made to those funds. All amounts are expected to be repaid within one year.

Note 13 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Aggregate	\$7,000,000
Excess Liability	5,000,000
Automobile Liability	5,000,000
Uninsured Motorists	250,000
Building and Contents	32,736,045

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.

For the fiscal year 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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 2013, 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 14 - Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2013:

Vendor	Contract Amount	Amount Paid as of 6/30/13	Outstanding Balance
Adena Corporation	\$6,820,475	\$4,022,076	\$2,798,399
Carl's Plumbing & Heating	873,370	601,035	272,335
Salenbien Trucking & Excavating	493,000	0	493,000
Valley Electrical	434,891	223,823	211,068
Vaughn Industries	4,384,000	4,082,094	301,906
Vulcan Enterprises	483,275	405,716	77,559
Westfield Electric	3,555,161	2,547,201	1,007,960

At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in fiscal year 2014 are as follows:

General Fund	\$163,052
Classroom Facilities Fund	7,165,129
Nonmajor Governmental Funds	281,209
Total	\$7,609,390

Note 15 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 15 - 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$653,492 for the fiscal year ended June 30, 2013, \$605,541 and \$19,406 for the fiscal year ended June 30, 2012, and \$637,853 and \$18,807 for the fiscal year ended June 30, 2011. For fiscal year 2013, 81 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 is not yet available.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 15 - Defined Benefit Pension Plans (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$182,880, \$174,280, and \$172,234, respectively. For fiscal year 2013, 53 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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, 2013, four of the five Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$50,269, \$48,995, and \$51,067, respectively. For fiscal year 2013, 81 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**ELGIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 16 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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 obligation 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$27,921 in surcharge.

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, 2013, 2012, and 2011 was \$2,234, \$7,548, and \$20,855, respectively. For fiscal year 2013, 53 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$10,331, \$10,292, and \$11,084, respectively. For fiscal year 2013, 53 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Note 17 - Other Employee Benefits

A. Compensated Absences

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 17 - Other Employee Benefits (continued)

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

B. Health Care Benefits

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

C. Separation Benefits

The School District offers a separation benefit to certified 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 \$10,000. 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. There was no liability for separation benefits at June 30, 2013.

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement Bonds, 2010A					
Term Bonds 5.966%	\$2,040,000	\$0	\$0	\$2,040,000	\$0
School Facilities Construction and Improvement Bonds, 2010B					
Term Bonds 5.499%	11,975,000	0	0	11,975,000	0
School Facilities Construction and Improvement Bonds, 2010C					
Serial Bonds 2-3.000%	1,455,000	0	705,000	750,000	750,000

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 18 - Long-Term Obligations (continued)

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities (continued)					
General Long-Term Obligations (continued)					
General Obligation Bonds (continued)					
Capital Appreciation Bonds					
11.210%	\$500,000	\$0	\$0	\$500,000	\$0
Accretion on Capital Appreciation Bonds	110,857	70,422	0	181,279	0
Bond Premium	222,652	0	80,292	142,360	0
Total General Obligation Bonds	16,303,509	70,422	785,292	15,588,639	750,000
Loans Payable	160,511	0	49,341	111,170	47,471
Capital Leases Payable	57,807	0	16,857	40,950	17,666
Compensated Absences Payable	859,440	0	107,911	751,529	43,559
Total Governmental Activities Long-Term Obligations	\$17,381,267	\$70,422	\$959,401	\$16,492,288	\$858,696

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.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 18 - Long-Term Obligations (continued)

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 2013, \$70,422 was accreted for a total bond value of \$681,279 at fiscal year end.

At June 30, 2013, the School District had unspent proceeds of \$6,462,680.

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.

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

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

The School District's overall debt margin was (\$2,153,851) with an unvoted debt margin of \$130,680 at June 30, 2013. 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, 2013
(Continued)**

Note 18 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2013, were as follows:

Fiscal Year Ending	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2014	\$750,000	\$791,461	\$47,471	\$4,181
2015	500,000	1,075,211	54,367	1,980
2016	0	780,211	9,332	59
2017	0	780,211	0	0
2018	0	780,211	0	0
2019-2023	0	3,901,055	0	0
2024-2028	11,975,000	3,404,486	0	0
2029-2031	2,040,000	187,335	0	0
	<u>\$15,265,000</u>	<u>\$11,700,181</u>	<u>\$111,170</u>	<u>\$6,220</u>

Note 19 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2013 were \$16,857.

	Governmental Activities
Equipment	\$57,807
Less Accumulated Depreciation	(12,528)
Carrying Value at June 30, 2013	<u>\$45,279</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2013.

Year	Governmental Activities	
	Principal	Interest
2014	\$17,666	\$1,548
2015	18,515	699
2016	4,769	37
Total	<u>\$40,950</u>	<u>\$2,284</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 20 - Set Asides

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

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2013.

	Capital Improvements
Balance June 30, 2012	\$0
Current Year Set Aside Requirement	193,885
Qualifying Expenditures	(161,449)
Current Year Offsets	(32,436)
Balance June 30, 2013	\$0

Note 21 - Fund Balance

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

Fund Balance	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Nonspendable for:					
Materials and Supplies Inventory	\$16,836	\$0	\$0	\$2,051	\$18,887
Prepaid Items	29,000	0	0	0	29,000
Total Nonspendable	45,836	0	0	2,051	47,887
Restricted for:					
Athletics and Music	0	0	0	27,431	27,431
Capital Improvements	0	0	6,641,781	474,903	7,116,684
Community Involvement	0	0	0	15,310	15,310
Debt Retirement	0	1,461,156	0	0	1,461,156
Facilities Maintenance	0	0	0	281,068	281,068
Food Service Operations	0	0	0	244,337	244,337

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 21 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Restricted for (continued):					
Inventory Held for Resale	\$1,648	\$0	\$0	\$0	\$1,648
Regular Instruction	0	0	0	608	608
Special Needs Children	0	0	0	26,939	26,939
Student Intervention	0	0	0	2,973	2,973
Total Restricted	1,648	1,461,156	6,641,781	1,073,569	9,178,154
Committed for:					
Facilities Expansion	76,925	0	0	0	76,925
Assigned for:					
Student Activities	21,668	0	0	0	21,668
Unpaid Obligations	151,962	0	0	0	151,962
Total Assigned	173,630	0	0	0	173,630
Unassigned (Deficit)	5,056,424	0	0	(329)	5,056,095
Total Fund Balance	\$5,354,463	\$1,461,156	\$6,641,781	\$1,075,291	\$14,532,691

Note 22 - Interfund Transfers

During fiscal year 2013, the Classroom Facilities capital projects fund made transfers to other governmental funds, in the amount of \$434,302, for building construction.

Note 23 - 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 \$64,585 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 24 - 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 Athens, Crawford, Delaware, Erie, Franklin, Knox, Licking, Lorain, Marion, Morrow, Muskingum, Union, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of 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 2013, the School District paid \$99,624 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

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

C. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of school districts, libraries, and related agencies. 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 25 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Note 25 - Insurance Pools (continued)

B. Stark County Schools Council of Governments Health Benefit Plan

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

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

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

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

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

Note 26 - 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, 2013.

B. Litigation

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

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ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 39,069	\$ 39,069
Cash Assistance:			
School Breakfast Program	10.553	74,837	74,837
National School Lunch Program	10.555	239,439	239,439
Summer Food Service Program for Children	10.559	9,491	7,247
Cash Assistance Subtotal:		<u>323,767</u>	<u>321,523</u>
Total Child Nutrition Cluster		<u>362,836</u>	<u>360,592</u>
Total U.S. Department of Agriculture		<u>362,836</u>	<u>360,592</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	151,240	153,543
Special Education_Grants to States	84.027	237,665	228,620
Education Technology State Grants	84.318	-	285
Improving Teacher Quality State Grants	84.367	45,302	62,245
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>1,050</u>	<u>1,492</u>
Total U.S. Department of Education		<u>435,257</u>	<u>446,185</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 798,093</u>	<u>\$ 806,777</u>

The accompanying notes are an integral part of this schedule.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 21, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Elgin Local School District's, Marion County, Ohio, (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Elgin Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Elgin Local School District, Marion County, Ohio, complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2013

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

1. We noted the Board amended its anti-harassment policy at its meeting on August 27, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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
Columbus, Ohio

August 21, 2013

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ELGIN LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 10, 2013**