



**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Elida Local School District (the School District), Allen County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Elida Local School District, Allen County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2001 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As disclosed in Note 3, during the year ended June 30, 2001, the Government adopted Governmental Accounting Statements No. 33 and 36.

We performed our audit to form an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 13, 2001

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**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
ASSETS AND OTHER DEBITS					
Cash	\$ 611,260	\$ 296,030	\$ 111,661	\$ 98,742	\$ 170,658
Receivables:					
Taxes	7,465,002	-	193,704	114,350	-
Accounts	23,011	-	-	-	26,405
Intergovernmental Receivable	-	-	-	31,500	-
Accrued Interest	832	189	-	40	283
Interfund Receivable	86,000	-	-	0	-
Prepaid Items	24,162	-	-	-	-
Inventory Held for Resale	-	-	-	-	26,404
Inventory	-	-	-	-	3,802
Restricted Cash and Cash Equivalents	147,409	-	-	-	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-	-	74,857
Amount Available in Debt Service Fund	-	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets and Other Debits	<u>\$ 8,357,676</u>	<u>\$ 296,219</u>	<u>\$ 305,365</u>	<u>\$ 244,632</u>	<u>\$ 302,409</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS					
Liabilities:					
Accounts Payable	\$ 35,044	\$ 4,279	\$ -	\$1,318	\$ 22,303
Intergovernmental Payable	227,282	9,344	-	-	27,147
Accrued Salaries and Benefits	1,478,166	62,118	-	-	67,314
Interfund Payable	-	-	-	86,000	-
Due to Students	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Note Payable	-	-	-	-	-
Compensated Absences Payable	143,207	-	-	-	30,527
Deferred Revenue	6,674,369	-	193,704	114,350	17,949
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>8,558,068</u>	<u>75,741</u>	<u>193,704</u>	<u>201,668</u>	<u>165,240</u>
Fund Equity and Other Credits:					
Investment in General Fixed Assets	-	-	-	-	-
Retained Earnings	-	-	-	-	137,169
Fund Balance:					
Reserved for Encumbrances	105,463	36,004	-	52,185	-
Reserved for Prepaid Items	24,162	-	-	-	-
Reserved for Debt Service	-	-	111,661	-	-
Reserve for Property Taxes	790,633	-	-	-	-
Reserve for Budget Stabilization	57,832	-	-	-	-
Reserve for Textbooks	89,577	-	-	-	-
Designated for Textbooks	25,313	-	-	-	-
Designated for Capital Improvements	28,086	-	-	-	-
Unreserved	(1,321,458)	184,474	-	(9,221)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	<u>(200,392)</u>	<u>220,478</u>	<u>111,661</u>	<u>42,964</u>	<u>137,169</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 8,357,676</u>	<u>\$ 296,219</u>	<u>\$ 305,365</u>	<u>\$ 244,632</u>	<u>\$ 302,409</u>

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	Trust and Agency	General Fixed Assets	
\$ 114,753	\$ -	\$ -	\$ 1,403,104
-	-	-	7,773,056
90	-	-	49,506
-	-	-	31,500
112	-	-	1,456
-	-	-	86,000
-	-	-	24,162
-	-	-	26,404
-	-	-	3,802
-	-	-	147,409
-	22,161,314	-	22,236,171
-	-	111,661	111,661
-	-	2,436,174	2,436,174
<u>\$ 114,955</u>	<u>\$ 22,161,314</u>	<u>\$ 2,547,835</u>	<u>\$ 34,330,405</u>

\$ 328	\$ -	\$ -	\$ 63,272
2	-	114,832	378,607
-	-	-	1,607,598
-	-	-	86,000
48,918	-	-	48,918
-	-	927,000	927,000
-	-	689,834	689,834
-	-	816,169	989,903
-	-	-	7,000,372
<u>49,248</u>	<u>-</u>	<u>2,547,835</u>	<u>11,791,504</u>

-	22,161,314	-	22,161,314
-	-	-	137,169
-	-	-	193,652
-	-	-	24,162
-	-	-	111,661
-	-	-	790,633
-	-	-	57,832
-	-	-	89,577
-	-	-	25,313
-	-	-	28,086
65,707	-	-	(1,080,498)
<u>65,707</u>	<u>22,161,314</u>	<u>-</u>	<u>22,538,901</u>
<u>\$ 114,955</u>	<u>\$ 22,161,314</u>	<u>\$ 2,547,835</u>	<u>\$ 34,330,405</u>

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$ 6,725,409	\$ -	\$ 183,176	\$ 204,563	\$ -	\$ 7,113,148
Tuition and Fees	176,760	-	-	-	-	176,760
Intergovernmental	6,855,709	867,919	19,594	178,312	-	7,921,534
Interest	156,270	4,028	-	4,849	4,068	169,215
Extracurricular Activities	-	196,923	-	-	-	196,923
Rent	33,050	-	-	-	-	33,050
Customer Services	-	675	-	-	555	1,230
Gifts and Donations	-	-	-	-	64,787	64,787
Miscellaneous	117,766	24,410	-	-	3,501	145,677
Total Revenues	14,064,964	1,093,955	202,770	387,724	72,911	15,822,324
Expenditures:						
Current:						
Instruction:						
Regular	7,651,573	469,396	-	48,260	-	8,169,229
Special	1,294,714	228,666	-	-	-	1,523,380
Vocational	83,914	32,384	-	-	-	116,298
Adult/Continuing	5,962	10,833	-	-	-	16,795
Support Services:						
Pupils	514,487	24,543	-	-	-	539,030
Instruction	376,669	67,127	-	-	-	443,796
Board of Education	12,609	-	-	-	-	12,609
Administration	1,489,846	112,775	-	-	-	1,602,621
Fiscal	349,503	-	3,372	3,812	-	356,687
Business	18	41,641	-	-	-	41,659
Operation and Maintenance	1,415,525	-	-	108,722	-	1,524,247
Transportation	915,123	2,174	-	193,656	-	1,110,953
Central Services	3,156	9,498	-	-	109	12,763
Non-Instructional Services	20,491	3,280	-	-	40,930	64,701
Extracurricular Activities	342,961	163,945	-	-	-	506,906
Capital Outlay						
Capital Outlay	18,975	-	-	33,154	12,144	64,273
Debt Service:						
Principal	82,973	-	200,000	-	-	282,973
Interest	41,210	-	63,000	-	-	104,210
Total Expenditures	14,619,709	1,166,262	266,372	387,604	53,183	16,493,130
Excess of Revenues Over/ (Under) Expenditures	(554,745)	(72,307)	(63,602)	120	19,728	(670,806)
Other Financing Sources (Uses):						
Transfers In	20,094	-	-	275,000	10,168	305,262
Proceeds from Sales fo Fixed Assets	2,000	-	-	-	-	2,000
Other Financing Sources (Uses):	-	13,600	-	-	-	13,600
Transfers Out	(275,000)	-	-	(20,094)	(10,168)	(305,262)
Total Other Financing Sources (Uses)	(252,906)	13,600	-	254,906	-	15,600
Excess of Revenues and Other Sources Over/ (Under) Expenditures and Other Uses	(807,651)	(58,707)	(63,602)	255,026	19,728	(655,206)
Fund Balances at Beginning of Year (Restated)	607,259	279,185	175,263	(212,062)	45,979	895,624
Fund Balances at End of Year	<u>\$ (200,392)</u>	<u>\$ 220,478</u>	<u>\$ 111,661</u>	<u>\$ 42,964</u>	<u>\$ 65,707</u>	<u>\$ 240,418</u>

The accompanying notes are an integral part of the financial statements.

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**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 6,781,894	\$ 6,772,894	(9,000)	\$ -	\$ -	\$ -
Tuition and Fees	172,510	172,006	(504)	-	-	-
Intergovernmental	6,856,160	6,855,709	(451)	881,683	867,919	(13,764)
Interest	170,000	162,023	(7,977)	4,137	4,111	(26)
Rent	27,966	34,141	6,175	-	-	-
Extracurricular Activities	-	-	-	197,088	196,923	(165)
Gifts and Donations	-	-	-	-	-	-
Customer Services	-	-	-	875	675	(200)
Miscellaneous	117,385	116,216	(1,169)	24,579	24,410	(169)
Total Revenues	14,125,915	14,112,989	(12,926)	1,108,362	1,094,038	(14,324)
Expenditures:						
Current:						
Instruction:						
Regular	7,576,074	7,562,758	13,316	545,757	480,655	65,102
Special	1,279,587	1,276,822	2,765	269,162	217,688	51,474
Vocational	92,750	90,361	2,389	39,723	39,723	-
Adult/Continuing	15	13	2	30,858	26,982	3,876
Support Services:						
Pupils	529,644	522,587	7,057	24,952	24,890	62
Instruction	373,276	363,916	9,360	66,395	64,806	1,589
Board of Education	18,750	12,303	6,447	-	-	-
Administration	1,471,502	1,454,555	16,947	118,176	111,121	7,055
Fiscal	360,027	350,998	9,029	-	-	-
Business	20	18	2	71,251	43,055	28,196
Operation and Maintenance	1,487,005	1,456,233	30,772	-	-	-
Transportation	955,503	938,420	17,083	2,370	2,161	209
Central Services	3,340	3,105	235	16,339	9,601	6,738
Non-Instructional Services	20,700	20,295	405	3,280	3,280	-
Extracurricular Activities	345,410	340,345	5,065	180,350	175,408	4,942
Capital Outlay	31,095	29,698	1,397	-	-	-
Debt Service:						
Principal	83,100	82,972	128	-	-	-
Interest	41,210	41,210	-	-	-	-
Total Expenditures	14,669,008	14,546,609	122,399	1,368,613	1,199,370	169,243
Excess (Deficiency) of Revenues Over (Under) Expenditures	(543,093)	(433,620)	109,473	(260,251)	(105,332)	154,919
Other Financing Sources (Uses):						
Advances In	574,822	574,822	-	160,522	160,522	-
Transfers In	20,094	20,094	-	-	-	-
Proceeds from Sale of Fixed Assets	2,000	2,000	-	-	-	-
Refund of Prior Year Expenditures	500	-	(500)	250	250	-
Other Financing Sources	-	-	-	13,600	13,600	-
Transfers Out	(275,000)	(275,000)	-	-	-	-
Advances Out	(310,823)	(310,823)	-	(160,522)	(160,522)	-
Total Other Financing Sources (Uses)	11,593	11,093	(500)	13,850	13,850	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(531,500)	(422,527)	108,973	(246,401)	(91,482)	154,919
Fund Balances at Beginning of Year	959,978	959,978	-	305,081	305,081	-
Prior Year Encumbrances Appropriated	88,845	88,845	-	42,408	42,408	-
Fund Balances at End of Year	\$ 517,323	\$ 626,296	\$ 108,973	\$ 101,088	\$ 256,007	\$ 154,919

The accompanying notes are an integral part of the financial statements

Debt Service Fund			Governmental Fund Types Capital Projects Funds			Fiduciary Fund Types Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 183,176	\$ 183,176	\$ -	\$ 204,562	\$ 204,563	1	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
19,594	19,594	-	178,311	146,811	(31,500)	-	-	-
-	-	-	5,384	5,384	-	4,083	4,263	180
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	65,010	64,787	(223)
-	-	-	-	-	-	555	555	-
-	-	-	-	-	-	3,501	3,501	-
<u>202,770</u>	<u>202,770</u>	<u>-</u>	<u>388,257</u>	<u>356,758</u>	<u>(31,499)</u>	<u>73,149</u>	<u>73,106</u>	<u>(43)</u>
-	-	-	161,400	98,203	63,197	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5,500	3,371	2,129	4,000	3,813	187	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	115,007	108,722	6,285	-	-	-
-	-	-	193,656	193,656	-	-	-	-
-	-	-	-	-	-	200	109	91
-	-	-	-	-	-	47,064	42,395	4,669
-	-	-	-	-	-	-	-	-
-	-	-	35,395	35,395	-	12,144	12,144	-
200,000	200,000	-	-	-	-	-	-	-
63,000	63,000	-	-	-	-	-	-	-
<u>268,500</u>	<u>266,371</u>	<u>2,129</u>	<u>509,458</u>	<u>439,789</u>	<u>69,669</u>	<u>59,408</u>	<u>54,648</u>	<u>4,760</u>
<u>(65,730)</u>	<u>(63,601)</u>	<u>2,129</u>	<u>(121,201)</u>	<u>(83,031)</u>	<u>38,170</u>	<u>13,741</u>	<u>18,458</u>	<u>4,717</u>
-	-	-	106,000	106,000	-	300	300	-
-	-	-	275,000	275,000	-	10,168	10,168	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(20,094)	(20,094)	-	(10,168)	(10,168)	-
-	-	-	(370,000)	(370,000)	-	(300)	(300)	-
-	-	-	(9,094)	(9,094)	-	-	-	-
(65,730)	(63,601)	2,129	(130,295)	(92,125)	38,170	13,741	18,458	4,717
175,262	175,262	-	29,810	29,810	-	45,784	45,784	-
-	-	-	107,554	107,554	-	-	-	-
<u>\$ 109,532</u>	<u>\$ 111,661</u>	<u>\$ 2,129</u>	<u>\$ 7,069</u>	<u>\$ 45,239</u>	<u>\$ 38,170</u>	<u>\$ 59,525</u>	<u>\$ 64,242</u>	<u>\$ 4,717</u>

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Operating Revenues:	
Tuition	\$ 3,404
Sales	667,495
Miscellaneous	<u>352</u>
Total Operating Revenue	<u>671,251</u>
Operating Expenses:	
Salaries	306,640
Fringe Benefits	186,484
Purchased Services	27,762
Materials and Supplies	94,045
Depreciation	6,029
Cost of Sales	<u>413,535</u>
Total Operating Expenses	<u>1,034,495</u>
Operating (Loss)	<u>(363,244)</u>
Non-Operating Revenues:	
Operating Grants	244,623
Federal Donated Commodities	75,360
Interest	<u>4,650</u>
Total Non-Operating Revenues	<u>324,633</u>
Net (Loss)	(38,611)
Retained Earnings at Beginning of Year	<u>175,780</u>
Retained Earnings at End of Year	<u>\$ 137,169</u>

The accompanying notes are an integral part of the financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$ 668,760	\$ 667,495	\$ (1,265)
Federal and State Subsidies	244,391	244,623	232
Interest	4,970	4,970	-
Miscellaneous	<u>700</u>	<u>562</u>	<u>(138)</u>
Total Revenues	<u>918,821</u>	<u>917,650</u>	<u>(1,171)</u>
Expenses:			
Salaries	332,742	332,742	-
Fringe Benefits	157,000	156,892	108
Purchased Services	8,500	8,421	79
Materials and Supplies	445,805	434,581	11,224
Capital Outlay	<u>19,579</u>	<u>19,500</u>	<u>79</u>
Total Expenses	<u>963,626</u>	<u>952,136</u>	<u>11,490</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>(44,805)</u>	<u>(34,486)</u>	<u>10,319</u>
Other Financing Sources (Uses):			
Advances In	43,000	43,000	-
Advances Out	<u>(53,000)</u>	<u>(43,000)</u>	<u>10,000</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenses and Other Uses	<u>(54,805)</u>	<u>(34,486)</u>	<u>20,319</u>
Fund Balance Beginning of Year	181,006	181,006	-
Prior Year Encumbrances Appropriated	<u>14,906</u>	<u>14,906</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$ 141,107</u></u>	<u><u>\$ 161,426</u></u>	<u><u>\$ 20,319</u></u>

The accompanying notes are an integral part of the financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 668,057
Cash Payments to Suppliers for Goods and Services	(441,061)
Cash Payments to Employees for Services	(332,742)
Cash Payments for Employee Benefits	<u>(156,892)</u>
Net Cash Provided by (Used for) Operating Activities	(262,638)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	244,623
Cash Flows from Investing Activities:	
Cash Received from Interest	4,970
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(12,208)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(25,253)
Cash and Cash Equivalents at Beginning of Year	<u>195,911</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 170,658</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Income (Loss)	\$ (363,244)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	6,029
Donated Commodities Used During Year	75,360
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(3,194)
(Increase)/Decrease in Commodities Inventory	8,984
Increase/(Decrease) in Accounts Payable	19,509
Increase/(Decrease) in Intergovernmental Payable	(7,755)
Increase/(Decrease) in Deferred Revenue	(9,405)
Increase/(Decrease) in Compensated Absences Payable	4,658
Increase/(Decrease) in Accrued Wages	<u>6,420</u>
Total Adjustments	<u>100,606</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (262,638)</u></u>

The accompanying notes are an integral part of the financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Elida Local 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 statute and/or federal guidelines.

The School District is located in a prosperous community within Allen County, consisting of residences and significant office and retail commercial development. The School District is the 178th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 105 non-certificated employees, 172 certificated full-time teaching personnel and 12 administrative employees who provide services to 2,590 students and other community members. The School District currently operates 3 instructional buildings, 1 administrative building, and 1 garage.

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

Blended Component Unit

The Elida Education Foundation is a component unit that is blended with the primary government. It is blended with the primary government because it is so intertwined with the primary government that it is, in substance, the same as the primary government.

The Elida Education Foundation, Inc. - (the foundation) was organized under the non-profit corporation law of Ohio to operate exclusively for the benefit of the District. The foundation receives and administers donations for educational and public charitable purposes for which the District was formed. The foundation is governed by a five member board of trustees. One trustee shall at all times be a member of the Board of Education, appointed by the Board of Education. One Trustee shall at all times be the Superintendent of the Elida Board of Education and one trustee shall at all times be the Treasurer of the Elida Board of Education. The remaining two Trustees shall be elected at the annual meeting of the Members. The financial statements of the Foundation for the year ended June 30, 2001, are included as an expendable trust fund in the District's financial statements.

The School District is associated with four jointly governed organizations and two insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, The West Central Regional Development Center, West Central Ohio Special Education Regional Resource Center, the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Allen County Schools Health Benefit Insurance Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and 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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property 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 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 non-exchange 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, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the special cost center level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2001, investments were limited to certificates of deposit and interest in STAR Ohio, the State Treasurer's Investment Pool. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Investment earnings are allocated as authorized by State statute. Interest revenue credited to the General Fund during fiscal year amounted to \$156,270, which includes approximately \$55,597 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the 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 considered to be cash equivalents.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

- General Fund
 - State Foundation Program
 - State Property Tax Relief
 - School Bus Purchase Program

Non-Reimbursable Grants

- Special Revenue Funds
 - Venture Capital
 - Education Management Information Systems
 - Disadvantaged Pupil Impact Aid
 - Title I
 - Title VI
 - Title VI-B
 - Drug-Free Schools
 - School Net Professional Development Grant
 - Conflict Management
 - Eisenhower
 - Technology Literacy Challenge Fund Grant
 - Learn and Serve America
 - Continuous Improvement Development
 - Local Professional Development Block Grant
 - Raising the Bar
 - Ohio Reads
 - E-Rate

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Title VI-R Classroom Reduction
Alternative School
Capital Projects Fund
SchoolNet Plus

Reimbursable Grants

General Fund
Driver Education
Enterprise Funds
National School Lunch Program
National School Breakfast Program
Government Donated Commodities

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbooks and budget stabilization.

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 that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves and Designations

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, property taxes, and debt service, budget stabilization and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies set aside to protect against cyclical changes in revenues and expenditures. The designation for textbooks and capital improvements represent revenues set aside that exceed statutorily required amounts.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. There was no material effect on the financial statements beginning equity.

NOTE 4 - PRIOR PERIOD ADJUSTMENT

During fiscal year 2000, an expendable trust fund was incorrectly classified as a special revenue fund and an error was made in reporting interfund receivable and payable. The correction of these errors had the following effect on the fund balance as they were previously reported as of June 30, 2000.

	General Fund	Special Revenue Funds	Capital Project Funds	Expendable Trust Funds
Balances as previously reported	\$332,259	\$315,371	\$ 62,938	\$ 9,793
Restatement due to error in reporting interfund transactions	275,000	0	(275,000)	0
Restatement due to reclassification of funds	<u>0</u>	<u>(36,186)</u>	<u>0</u>	<u>36,186</u>
Restated balances June 30, 2000	<u>\$607,259</u>	<u>\$279,185</u>	<u>\$(212,062)</u>	<u>\$45,979</u>

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP basis - fund balance	\$ (200,392)	\$220,478	\$111,661	\$42,964	\$65,707
Adjustment for GAAP basis:					
Accrued revenues/prepaid expenses	(7,599,007)	(189)	(193,704)	(145,890)	-
Accrued expenditures/deferred revenue	8,558,068	75,741	193,704	201,668	-
Encumbrances outstanding (budget basis)	<u>(132,373)</u>	<u>(40,023)</u>	<u>-</u>	<u>(53,503)</u>	<u>(1,465)</u>
Budget basis - fund balance	<u>\$ 626,296</u>	<u>\$256,007</u>	<u>\$111,661</u>	<u>\$ 45,239</u>	<u>\$64,242</u>

	<u>Enterprise</u>
GAAP basis-retained earnings	\$ 137,169
Adjustment for GAAP basis:	
Accrued revenues/prepaid expenses	(101,545)
Accrued expenses/deferred revenue	165,240
Inventory	(30,206)
Encumbrances Outstanding (Budget Basis)	<u>(9,232)</u>
Budget basis - fund balance	<u>\$ 161,426</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

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

Interim monies may be deposited or invested in the following securities:

1. United/States Treasury notes, bills bonds, or other obligations or security issued by the United States or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal 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 securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$510 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$119,511 and the bank balance was \$609,784. Of the bank balance, \$300,000 was covered by federal depository insurance and \$309,784 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by the Elida Local School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Elida Local School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Elida Local School District's name.

At year end, the District's only investment was in STAR Ohio, and had a value of \$1,430,492. STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 1,550,513	\$ -
Cash on Hand	(510)	-
Investments:		<u>1,430,492</u>
STAR Ohio	<u>(1,430,492)</u>	
GASB Statement 3	<u>\$ 119,511</u>	<u>\$1,430,492</u>

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$234,865,410	82.74%	\$246,102,310	83.69%
Public Utility	12,149,290	4.28	10,907,220	3.71
Tangible Personal Property	<u>36,829,336</u>	<u>12.98</u>	<u>37,055,024</u>	<u>12.60</u>
Total Assessed Value	<u>\$283,844,036</u>	<u>100.00%</u>	<u>\$294,064,554</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.80		\$33.20	

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

NOTE 9 - FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 2001, is as follows:

	Balance June 30, 2001
Furniture and Equipment	\$ 342,285
Less: Accumulated Depreciation	<u>267,428</u>
Net Fixed Assets - Proprietary Funds	<u>\$ 74,857</u>

A summary of the general fixed assets follows:

	Balance at <u>6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>6/30/01</u>
Land and Improvements	\$ 263,375	\$ -	\$ -	\$ 263,375
Building	14,218,712	45,298	-	14,264,010
Furniture and Equipment	5,667,983	291,484	(17,261)	5,942,206
Vehicles	<u>1,577,627</u>	<u>244,380</u>	<u>(130,284)</u>	<u>1,691,723</u>
Total	<u>\$21,727,697</u>	<u>\$ 581,162</u>	<u>\$(147,545)</u>	<u>\$22,161,314</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance Company for property and general liability insurance and boiler and machinery insurance. Boiler and machinery coverage has \$500 deductible per object. Professional liability is protected by Nationwide Insurance Company with \$2,000,000 each occurrence, \$5,000,000 aggregate limit, plus an additional \$4,000,000 is covered under another commercial umbrella liability policy.

Vehicles are covered by Nationwide Insurance Company and hold a \$100 deductible for comprehensive and \$500 for collisions. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bond insurance is provided by the Nationwide Insurance Company and the Buckeye Insurance Company for a total of \$140,000.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 10 - RISK MANAGEMENT (Continued)

B. Worker's Compensation

For fiscal year 2001, the School District participated in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). 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 worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Employee Medical Benefits

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal years 2000 and 1999, 5.5 percent and 7.7 percent were used to fund pension obligations, respectively. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$90,863, \$112,427 and \$147,265, respectively; 34.17 percent has been contributed for fiscal year 2001, and 100 percent for the fiscal years 2000 and 1999. \$59,818 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salary. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$731,438, \$449,394, and \$424,469, respectively; 83.37 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$121,609 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired noncertified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. As of June 30, 2000, eligible benefit recipients totaled 99,011. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140,696,340.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per year, depending upon length of service. Vacation days are credited to classified employees on an annualized basis. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement at a rate of 25 percent of accumulated sick leave to a maximum of fifty days at the daily rate of pay being received at the time of final service. Accumulated vacation and sick leave of Governmental Fund type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current period. The long-term portion is calculated by multiplying the average daily rate of salaries times the estimated sick days to be paid. The estimated sick days to be paid is calculated by multiplying the sick days accumulated at year-end times the ratio of benefits paid. The ratio is determined by evaluating employees who have left in past years and dividing the number of sick days paid by the number of accumulated sick days. Vacation and sick leave for employees paid from the Proprietary Funds is recorded as an expense when earned.

B. Health Care Benefits

The District provides health insurance to most employees through the Health Benefit Plan disclosed in Note 19. Dental insurance is provided by the District to most employees through the Plan which is administered by CoreSource. Life insurance is also provided through CoreSource.

C. Early Retirement Incentive

The School District has approved an early retirement incentive program. Participation in the plan is voluntary. Teachers must participate in the year they become eligible to retire. The certificated employee, in order to be eligible:

1. Must have ten or more years of service with Elida Local School District.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 13 - EMPLOYEE BENEFITS

C. Early Retirement Incentive (Continued)

2. Must have 30 years membership under STRS, or meet the requirement of twenty-five years membership and be at least 55 years of age by June 30; and
3. Must retire by the close of the 1999-2000, 2000-2001, or 2001-2002 school year, as eligible.

NOTE 14 - OPERATING LEASES

The District is obligated under various operating lease agreements with Xerox for copiers. These agreements do not give rise to property rights and are not reflected in the School's account group. The future rental payments are as follows:

Year Ending <u>June 30,</u>	<u>Amounts</u>
2002	3,877
2003	<u>646</u>
Total	<u>\$ 4,523</u>

NOTE 15 - LONG-TERM DEBT

Long-term obligations of the School District at June 30, 2001, consisted of the following:

	Principal Outstanding <u>6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/01</u>
General Obligation Bonds School Building Construction Interest Rate - 7%	\$1,000,000	\$ -	\$200,000	\$ 800,000
Energy Conservation Bonds School Building Construction Interest Rate 5.35%	70,000	-	22,000	48,000
Energy Conservation Bonds School Building Construction Interest Rate 4.55%	102,000	-	23,000	79,000
Energy Conservation Notes School Building Construction Interest Rate 4.65%	<u>727,806</u>	<u>-</u>	<u>37,972</u>	<u>689,834</u>
Total Long-Term Bonds and Notes	1,899,806	-	282,972	1,616,834
Intergovernmental Payable	85,079	114,832	85,079	114,832
Compensated Absences	<u>603,379</u>	<u>212,790</u>	<u>-</u>	<u>816,169</u>
Total General Long-Term Obligations	<u>\$2,588,264</u>	<u>\$327,622</u>	<u>\$368,051</u>	<u>\$2,547,835</u>

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 15 - LONG-TERM DEBT (Continued)

General obligation bonds issued February 1, 1980, with an interest rate of 7% will be paid from the debt service fund. Energy Conservation Bonds for school building construction dated September 8, 1992 and July 1, 1993, with interest rates of 5.35% and 4.55% respectively will be paid from the General Fund.

Energy Conservation notes were issued on July 15, 1998, for \$764,180 for the purpose of the improvement and renovation of buildings. The notes were issued for a fifteen year period with the final maturity during fiscal year 2014. The loan will be retired from the general fund.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The annual requirements to amortize all bonded debt outstanding as of June 30, 2001 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	287,835	86,052	373,887
2003	292,688	67,755	360,443
2004	271,626	49,919	321,545
2005	245,655	33,254	278,909
2006	47,778	24,131	71,909
Thereafter	<u>471,252</u>	<u>103,753</u>	<u>575,005</u>
Total	<u>\$1,616,834</u>	<u>\$364,864</u>	<u>\$1,981,698</u>

NOTE 16 - INTERFUND TRANSACTIONS

As of June 30, 2001, receivables and payables that resulted from various transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 86,000	\$ -
Capital Projects Fund:		
Permanent Improvement	<u>-</u>	<u>86,000</u>
Total All Funds	<u>\$86,000</u>	<u>\$86,000</u>

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below summarizes the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 570,989	\$100,262	\$ 671,251
Operating Expenses			
before Depreciation	933,802	94,664	1,028,466
Depreciation	6,029	-	6,029
Operating Income (Loss)	(368,842)	5,598	(363,244)
Donated Commodities	75,360	-	75,360
Operating Grants	244,623	-	244,623
Interest	4,650	-	4,650
Net Income (Loss)	(44,209)	5,598	(38,611)
Fixed Asset Additions	12,208	-	12,208
Working Capital	11,499	81,340	92,839
Total Assets	218,108	84,301	302,409
Total Equity	55,829	81,340	137,169
Encumbrances Outstanding at June 30, 2001	\$ 9,232	\$ -	\$ 9,232

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Area Computer Services Cooperative - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert and Paulding Counties and Cities of Wapakoneta and St. Marys. 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. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, Treasurer, 3325 Shawnee Road, Lima, Ohio 45806.

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATION (Continued)

West Central Ohio Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putman and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up to fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

NOTE 19 - INSURANCE POOLS

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the Northwest Ohio Area Computer Service Cooperative as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

Allen County Schools Health Benefit Plan - The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under 26 U.S.C. Section 501(c)(9) and provides medical, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Board of Trustees and payment of the monthly premium. Financial information can be obtained from Don Smith who serves as chairman, at the Allen County Educational Service Center, 201 North Main Street, Lima, Ohio 45801.

NOTE 20 - DEFICIT FUND BALANCES

As a result of recognizing the application of the accrual basis of accounting, the following funds had a deficit fund equity balance:

General Fund	\$ 200,392
Special Revenue Funds	
Teacher Development	15
Management Information System	26
DPIA	98
EESA	261
Title VIB	12,066
Chapter 1	1,262
Drug Free Grant	277
Ohio Reads	5

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 21 - 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, 2001.

B. Litigation

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

NOTE 22 - STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of December 13, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 23 - STATUTORY RESERVES

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 23 - STATUTORY RESERVES (Continued)

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

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Set-Aside Cash Balance, 7/1/2000	\$ -	\$ -	\$ 56,572
Prior Year Excess Expenditures	(32,166)	(764,180)	-
Required Set-Aside	340,270	340,270	-
Worker's Compensation Refund	-	-	1,260
Current Year Offsets	-	(204,563)	-
Qualifying Expenditures	<u>(218,527)</u>	<u>(80,181)</u>	<u>-</u>
Total	<u>\$ 89,577</u>	<u>\$ (708,564)</u>	<u>\$ 57,832</u>
Balance Carried Forward to Following Year	<u>\$ 89,577</u>	<u>\$ (708,564)</u>	<u>\$ 57,832</u>

The School District had qualifying disbursements during the year that reduced the set-aside amounts below zero. For capital acquisitions, the extra amount, which was a result of capital expenditures from bond or note proceeds, can be used to reduce the set-aside requirements of future years. Also, revised code 3315.17 allows for the extra amount to carryover into future years for textbooks.

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ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
National School Breakfast Program		10.553	\$27,891		\$27,891	
National School Lunch Program (B)		10.555	204,708		204,708	
Food Distribution Program		10.550		65,955		75,360
Total U.S. Department of Agriculture - Nutrition Cluster			232,599	65,955	232,599	75,360
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title VI-B Handicapped	045773-6B-SF-00P	84.027			10,680	
Title VI-B Handicapped	045773-6B-SF-01P	84.027	133,601		126,550	
Total			133,601		137,230	
Alternative School	045773-G2-S4-1999	84.276			14,692	
Technology Literacy Grant	045773-TF-41-00P	84.318			25,000	
Technology Literacy Grant	045773-TF-41-01P	84.318	125,000		125,000	
Technology Literacy Grant	045773-TF-42-01P	84.318	75,000		75,000	
Technology Literacy Grant	045773-TF-43-01P	84.318	25,000		14,598	
Total			225,000		239,598	
Title 1	045773-C1-S1-00	84.010			26,909	
Title 1	045773-C1-S1-00C	84.010	45,183		45,183	
Title 1	045773-C1-S1-01	84.010	181,415		143,701	
Total			226,598		215,793	
Title VI-R - Classroom Reduction	045773-CR-S1-2000	84.340			12,426	
Title VI-R - Classroom Reduction	045773-CR-S1-2001	84.340	67,386		47,899	
Total			67,386		60,325	
Drug Free Schools	045773-DR-S1-2001	84.186	11,442		11,442	
Eisenhower Professional Development	045773-MS-S1-00	84.281	8,930		12,654	
Eisenhower Professional Development	045773-MS-S1-01	84.281	12,698		12,698	
Total			21,628		25,352	
Title VI - Innovative Education Program	045773-C2-S1-01	84.298	13,685		12,224	
Total U. S. Department of Education			699,340		716,656	
CORPORATION FOR NATIONAL SERVICE						
(Passed through Ohio Department of Education)						
Learn and Serve Grant	045773-SV-S5-00	94.004			10,023	
Learn and Serve Grant	045773-SV-S5-01	94.004	30,000		23,193	
Total			30,000		33,216	
Total Corporation for National Service			30,000		33,216	
Total Federal Assistance			\$961,939	\$65,955	\$982,471	\$75,360

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A –SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had \$17,949 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on the Schedule.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Elida Local School District (the "School District"), Allen County, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 13, 2001, wherein we noted the School District implemented Governmental Accounting Standards Board Statement Numbers 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 13, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10202-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Elida Local School District
Allen County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 13, 2001.

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

Jim Petro
Auditor of State

December 13, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Elida Local School District (the "School District"), Allen County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2001-10201-002.

We also noted certain instances of noncompliance, that do not require inclusion in this report, that we have reported to management of School District in a separate letter dated December 13, 2001.

Internal Control Over Compliance

The management of School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

December 13, 2001

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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?	Yes
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Fund CFDA #84.318 *Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

* Food Distribution Program (CFDA # 10.500), National School Lunch Program (CFDA # 10.555), and the National School Breakfast Program (CFDA # 10.553)

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

Finding Number	2001-10202-001
-----------------------	-----------------------

The District currently does not have a detail listing of assets that agrees with the fixed asset amounts as recorded in the general purpose financial statements, nor does it have a system in place to properly manage and record assets based on capitalization limits established. The appraisal report used to record the District’s assets has not been updated and the District does not maintain their fixed assets on the program provided by the Uniform School Accounting System (USAS). An appraisal is performed periodically, with the last year being 1997. The appraisal report lists each asset individually, the year of acquisition, cost, and a description, and some assets are identified by serial numbers, however the District does not have access to the appraisal report on computer in order to update the asset listing each year in order to add new assets or delete assets that were disposed of or sold. Each year, the Treasurer maintains a copy of the minutes to indicate which items were disposed of and a copy of “Listing by Transactions by Account” (ACTRPT) report for all additions. This report consists of all checks posted to the 600 and 700 object codes. The list does not list each item individually or provide a detailed description of all assets purchased, the cost of each asset, or the tag number of each asset. Therefore, a physical observation could not be performed because items could not be observed and then traced to an asset listing that identifies all assets by tag number, description, cost, year acquired, location, and serial number.

Failure to implement procedures to properly record fixed assets and to maintain a complete and accurate listing of District owned assets could lead to a misstatement in the presentation of fixed assets in the general purpose financial statements and enterprise fund, and allows for the assets to be more susceptible to misappropriation.

The District should implement an accounting system to manage fixed assets. A system should be developed to identify all items purchased during the fiscal year individually on a fixed asset listing. The list should include a description of the asset, the cost, a tag number, the year acquired, and any serial numbers that the asset may have. For example, if the USAS program is not utilized, then all assets purchased during the year should be given a tag number, and then posted to a spreadsheet that lists each asset separately, the tag number, the cost, the year acquired, and a description, which should include the serial number. This will provide assistance to the District when trying to track assets and will help ensure that only asset meeting the capitalization threshold are posted as fixed assets.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-10202-002
-----------------------	-----------------------

CFDA Title and Number: 84.318 Technology Literacy Grant
Federal Award Number/Year: 045773-TF-41-00P- Round 3 & 045773-TF-41-01P- Round 4
Federal Agency: Department of Education
Pass-Through Agency: Ohio Department of Education

Noncompliance - Code of Federal Regulations - Equipment and Property Management

34 CFR Section 80.32 (d) states that property records must be maintained that include a description of the property, a serial number or other identification number, source of property, who holds the title, the acquisition date, cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of the disposal and sale price of the property. Further, a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

The District has a 1997 appraisal report, however addition and deletion updates since that time have not been added to the listing. Partial listings exist for some of the equipment, however these lists do not include all of the required information such as serial numbers or identification numbers, source of property, who holds the title, location, and cost.

The lack of a complete inventory listing that includes all of the applicable information could lead to misappropriation of assets,

The District should either obtain an updated appraisal or perform a physical observation in order to get an accurate equipment listing. The fixed asset listing should include, but not be limited to, a listing of assets by identifying number or serial number, source of property, who holds the title, the acquisition date, cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of the disposal and sale price of the property. Further, a physical observation should be taken and results reconciled with the property records at least once every two years.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY
JUNE 30, 2001**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10202-001	Valuation Engineers, Inc completed a physical inventory on December 14, 2001. They tagged and inventoried all assets of the District. Reports will be completed and downloaded into the USAS system by February 28, 2002. Future additions and deletions will be tracked on the USAS system.	February 28, 2002	Joel L. Parker
2001-10202-002	Valuation Engineers, Inc completed a physical inventory on December 14, 2001. They tagged and inventoried all assets of the District. Reports will be completed and downloaded into the USAS system by February 28, 2002. Future additions and deletions will be tracked on the USAS system	February 28, 2002	Joel L. Parker



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ELIDA LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**