



**Mary Taylor, CPA**  
Auditor of State



**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elida Local School District, Allen County, (the School District), as of and for the fiscal year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elida Local School District, as of June 30, 2006 and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements. The Schedule of Federal Awards Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor  
Auditor of State

March 5, 2007

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The discussion and analysis of Elida Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$739,403 or 31 percent from the prior fiscal year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest amount of the increase during fiscal year 2006.
- The School District's general receipts, those being primarily property taxes and unrestricted state entitlements, were 81 percent of the total cash received during the fiscal year. Dependence on these two revenue sources is significant.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion with this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

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

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in each position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

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

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

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

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

**The School District as a Whole**

This year's financial statements were prepared on the cash basis utilizing the GASB Statement No. 34 format. Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005:

<b>Table 1</b>		
<b>Net Assets</b>		
<b>Governmental Activities</b>		
<b>Assets:</b>	<b>2006</b>	<b>2005</b>
Cash and Cash Equivalents	\$3,122,474	\$2,383,071
<b>Net Assets:</b>		
Restricted	1,013,837	890,580
Unrestricted	2,108,637	1,492,491
Total Net Assets	3,122,474	2,383,071



**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

As mentioned previously, total net assets increased \$739,403, or 31 percent. The primary reasons contributing to the increases in cash balances are as follows:

- Over the past 36 months, the School District has closed a building, reduced staff, and implemented pay to participate. These cost savings measures were put into action after two failed levies. In May of 2005, the School District passed an operating levy which collections started in 2006.
- For fiscal year 2006, the School District did not experience double digit increases in health care.
- This is the third year in a row the School District operated in the black.

Table 2 reflects the changes in net assets for fiscal year 2006.

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>	<b>Net Increase (Decrease)</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Service and Sales	\$1,536,988	\$1,441,810	\$95,178
Operating Grants and Contributions	2,159,216	1,788,860	370,356
Capital Grants and Contributions	265,216	38,399	226,817
<b>Total Program Receipts</b>	<b>3,961,420</b>	<b>3,269,069</b>	<b>692,351</b>
<b>General Receipts:</b>			
Property Taxes Levied for General Purposes	8,885,746	8,349,416	536,330
Property Taxes Levied for Debt Service	0	129,883	(129,883)
Grants and Entitlements	7,974,922	8,117,479	(142,557)
Interest	126,207	66,875	59,332
Miscellaneous	139,307	304,926	(165,619)
<b>Total General Receipts</b>	<b>17,126,182</b>	<b>16,968,579</b>	<b>157,603</b>
<b>Total Receipts</b>	<b>21,087,602</b>	<b>20,237,648</b>	<b>849,954</b>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	10,573,802	9,767,519	806,283
Special	1,730,446	1,837,726	(107,280)
Vocational	24,948	37,943	(12,995)
Adult/Continuing	7,795	462	7,333
<b>Support Services:</b>			
Pupil	839,925	710,797	129,128
Instructional Staff	558,158	519,131	39,027
Board of Education	20,158	16,305	3,853
Administration	1,361,945	1,497,803	(135,858)
Fiscal	427,987	425,941	2,046
Business	209,922	29,846	180,076
Operation and Maintenance of Plant	1,616,403	1,595,115	21,288
Pupil Transportation	998,228	1,120,272	(122,044)
Central	7	8,293	(8,286)
Operation of Non-Instructional	93,057	60,534	32,523
Food Services	756,256	760,571	(4,315)
Extracurricular Activities	609,574	545,589	63,985
Capital Outlay	379,441		379,441
Principal	117,134	312,763	(195,629)
Interest and Fiscal Charges	23,013	34,279	(11,266)
<b>Total Governmental Activities</b>	<b>20,348,199</b>	<b>19,280,889</b>	<b>1,067,310</b>
<b>Increase in Net Assets</b>	<b>\$739,403</b>	<b>\$956,759</b>	<b>(217,356)</b>

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Program receipts only represent 19 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

General receipts represent 81 percent of the School District's total receipts, and of this amount, 47 percent is the result of unrestricted grants and entitlements, which primarily represents the State foundation resources. Property taxes basically make up the balance of the School District's general receipts (52 percent). Other receipts, such as interest and rent are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 61 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 12 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, over 81 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The 2006 financial statements were prepared using a cash basis of accounting. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements. Table 3 presents a comparison between the total cost of services and the net cost for both fiscal years 2006 and 2005.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
<b>Instruction:</b>				
Regular	\$10,573,802	(\$9,662,762)	\$9,767,519	(\$8,677,122)
Special	1,730,446	(297,753)	1,837,726	(1,418,701)
Vocational	24,948	(7,669)	37,943	(9,075)
Adult/Continuing	7,795	(7,795)	462	
<b>Support Services:</b>				
Pupil	839,925	(831,881)	710,797	(458,206)
Instructional Staff	558,158	(558,158)	519,131	(412,942)
Board of Education	20,158	(20,158)	16,305	(500)
Administration	1,361,945	(1,361,945)	1,497,803	(1,326,592)
Fiscal	427,987	(427,987)	425,941	(425,941)
Business	209,922	(209,922)	29,846	(29,846)
Plant Operation & Maintenance	1,616,403	(1,616,403)	1,595,115	(1,595,115)
Pupil Transportation	998,228	(794,509)	1,120,272	(1,099,864)
Central	7	11,993	8,293	(8,293)
Operation of Non-Instructional	93,057	(93,057)	60,534	(52,070)
Food Services	756,256	150,892	760,571	5,092
Extracurricular Activities	609,574	(263,463)	545,589	(155,603)
Capital Outlay	379,441	(256,055)		
Principal	117,134	(117,134)	312,763	(312,763)
Interest and Fiscal Charges	23,013	(23,013)	34,279	(34,279)
<b>Total Government Activities</b>	<b>\$20,348,199</b>	<b>\$(16,386,779)</b>	<b>\$19,280,889</b>	<b>\$(16,011,820)</b>

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

The dependence upon tax receipts and unrestricted state entitlements is apparent as over 80 percent of instruction activities are supported through taxes and other general receipts. However, it should be noted that special instruction activities are largely provided for through program receipts, by 83 percent. This is the result of operating grants and contributions restricted for special instruction purposes.

100 percent of food services were covered by program receipts for fiscal year 2006. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. 57 percent of extracurricular activities disbursements are covered by program receipts. This is the result of pay to participate fees.

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$21,087,602 and disbursements of \$20,348,199. The greatest change within governmental funds occurred within the General Fund as the result of the cost savings measures put in place over the last 36 months.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2006, the School District amended its General Fund budget as needed. Final budgeted receipts are in the amount of \$18,825,426. The final budget was within 1.7 percent of actual.

Final disbursements were budgeted at \$18,728,923 while actual disbursements were \$18,113,038. The School District was able to keep spending very close to budgeted amounts as demonstrated by the minor changes which occurred.

Actual General Fund receipts were more than disbursements by \$395,141. This also indicates that the School District has a balanced budget for fiscal year 2006 and the cost saving measures have worked.

**Debt Administration**

At June 30, 2006, the School District's outstanding debt totaled \$468,873. For further information regarding the School District's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

During 2006, Elida collected the first half of the levy funds passed in May of 2005. The new money was used to bring back:

- All day every day kindergarten
- Reduce pay to participate

The School District will restore guidance services and maintenance positions for fiscal year 2007. The School District continues to operate with a reduced staff (including 4 less administrative positions and gaining financial strength and has operated in the black for 3 years in a row.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Other Current Issues Include:

- Heating fuel increased by \$65,075 to \$261,150
- Diesel fuel increased by \$52,246 to \$144,618
- Repairs to all buildings totaled \$167,236
- Interest income has increased by 89 percent to \$126,207
- The School District has entered the Expedited Local Partnership Program
- The School District placed a bond issue on the ballot in November of 2006 to:
  - Build a new high school
  - Add on to the middle school
  - Demolish the high school and Gomer buildings
  - Add on to the football stadium

The bond issue was defeated in November, but the School District plans to place it on the ballot again in May of 2007.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joel Parker, Treasurer of Elida Local School District, 4380 Sunnydale Road, Elida, Ohio 45807.

ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2006

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,581,479
Restricted Cash	\$540,995
Total Assets	<u>\$3,122,474</u>
<b>Net Assets:</b>	
Restricted for:	
Other Purposes	\$472,842
Unclaimed Monies	3,938
Bus Purchases	142,869
Set Asides	394,188
Unrestricted	<u>2,108,637</u>
<b>Total Net Assets</b>	<u>\$3,122,474</u>

*See accompanying notes to basic financial statements.*

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	\$10,573,802	\$620,402	\$290,638		(\$9,662,762)
Special	1,730,446	53,447	1,379,246		(297,753)
Vocational	24,948		17,279		(7,669)
Adult/Continuing	7,795				(7,795)
<b>Support Services:</b>					
Pupils	839,925		8,044		(831,881)
Instruction	558,158				(558,158)
Board of Education	20,158				(20,158)
Administration	1,361,945				(1,361,945)
Fiscal	427,987				(427,987)
Business	209,922				(209,922)
Operation and Maintenance	1,616,403				(1,616,403)
Transportation	998,228		61,889	\$141,830	(794,509)
Central Service	7		12,000		11,993
Non-Instructional Services	93,057				(93,057)
Food Service	756,256	574,770	332,378		150,892
Extracurricular Activities	609,574	288,369	57,742		(263,463)
Capital Outlay	379,441			123,386	(256,055)
Debt Service:	140,147				(140,147)
<b>Total Governmental Activities</b>	<b>\$20,348,199</b>	<b>\$1,536,988</b>	<b>\$2,159,216</b>	<b>\$265,216</b>	<b>(16,386,779)</b>
			<b>General Receipts:</b>		
			Property Taxes Levied for:		
			General Purposes		8,885,746
			Grants and Entitlements not restricted		7,974,922
			Interest		126,207
			Miscellaneous		139,307
			<b>Total General Receipts</b>		<b>17,126,182</b>
			Change in Net Assets		739,403
			Net Assets at Beginning of Year		2,383,071
			<b>Net Assets at End of Year</b>		<b>\$3,122,474</b>

See accompanying notes to basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,108,637	\$472,842	\$2,581,479
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	540,995		540,995
<b>Total Assets</b>	<u>2,649,632</u>	<u>472,842</u>	<u>3,122,474</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	373,743	19,766	393,509
Reserved for Bus Purchases	142,869		142,869
Reserved for Unclaimed Monies	3,938		3,938
Reserve for Textbooks	336,356		336,356
Reserve for Budget Stabilization	57,832		57,832
Unreserved, Reported in:			
Undesignated (Deficit), Reported in:			
General Fund	1,734,894		1,734,894
Special Revenue Funds		453,076	453,076
Debt Service Fund			
Capital Projects Fund			
<b>Total Fund Balances</b>	<u>\$2,649,632</u>	<u>\$472,842</u>	<u>\$3,122,474</u>

*See accompanying notes to basic financial statements.*

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>			
Property Taxes	\$8,885,746		\$8,885,746
Intergovernmental	8,514,365	\$1,709,885	10,224,250
Interest	126,207	7,040	133,247
Tuition and Fees	673,849		673,849
Extracurricular Activities	90,017	179,054	269,071
Charges for Services		568,190	568,190
Miscellaneous	217,469	115,254	332,723
Total Receipts	<u>18,507,653</u>	<u>2,579,423</u>	<u>21,087,076</u>
<b>Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	10,278,835	294,967	10,573,802
Special	1,363,868	366,578	1,730,446
Vocational	3,081	21,867	24,948
Adult/Continuing		7,795	7,795
<b>Support Services:</b>			
Pupils	521,308	318,617	839,925
Instructional Staff	378,372	179,786	558,158
Board of Education	20,158		20,158
Administration	1,199,573	162,372	1,361,945
Fiscal	427,987		427,987
Business	134,847	75,075	209,922
Operation and Maintenance of Plant	1,616,403		1,616,403
Pupil Transportation	997,411	817	998,228
Central	7		7
Operations of Non-Instructional Services	8,493	84,564	93,057
Operations of Food Services		756,256	756,256
Extracurricular Activities	396,752	212,822	609,574
Capital Outlay	379,441		379,441
<b>Debt Service:</b>			
Principal	10,511	106,623	117,134
Interest and Fiscal Charges	2,247	20,766	23,013
Total Disbursements	<u>17,739,294</u>	<u>2,608,905</u>	<u>20,348,199</u>
Excess of Receipts Over (Under) Disbursements	768,359	(29,482)	738,877
<b>Other Financing Sources (Uses)</b>			
Advances In	67,214	55,511	122,725
Sale of Fixed Assets	526		526
Advances Out	(55,511)	(67,214)	(122,725)
Total Other Financing Sources (Uses)	<u>12,229</u>	<u>(11,703)</u>	<u>526</u>
Net Change in Fund Balances	780,588	(41,185)	739,403
Fund Balances at Beginning of Year	<u>1,869,044</u>	<u>514,027</u>	<u>2,383,071</u>
<b>Fund Balances at End of Year</b>	<u><u>\$2,649,632</u></u>	<u><u>\$472,842</u></u>	<u><u>\$3,122,474</u></u>

*See accompanying notes to basic financial statements.*



**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<b>Receipts:</b>				
Property Taxes	\$8,700,000	\$8,798,765	\$8,885,746	\$86,981
Intergovernmental	8,886,000	8,766,369	8,514,365	(252,004)
Interest	75,832	122,832	126,207	3,375
Tuition and Fees	614,550	813,850	673,849	(140,001)
Ectracurricular Activities	105,000	93,770	90,017	(3,753)
Miscellaneous	223,500	229,840	217,995	(11,845)
<b>Total Receipts</b>	18,604,882	18,825,426	18,508,179	(317,247)
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,539,074	10,837,574	10,363,125	474,449
Special	1,510,440	1,513,940	1,376,955	136,985
Vocational Education	8,225	8,225	3,081	5,144
<b>Support Services:</b>				
Pupils	489,880	489,880	522,783	(32,903)
Instructional Staff	344,418	356,418	383,424	(27,006)
Board of Education	16,140	16,140	20,158	(4,018)
Administration	1,142,752	1,142,752	1,205,191	(62,439)
Fiscal	437,800	467,800	428,986	38,814
Business	134,500	134,500	134,847	(347)
Operation and Maintenance of Plant	1,684,728	1,763,428	1,713,169	50,259
Pupil Transportation	852,596	1,047,286	1,131,938	(84,652)
Central	10	10	7	3
Extracurricular Activities	380,120	389,620	396,752	(7,132)
Operations of Non-Instructional Services	25,760	25,760	15,473	10,287
Capital Outlay	368,276	395,776	404,391	(8,615)
Debt Service				
Principal	116,937	116,937	10,511	106,426
Interest	22,877	22,877	2,247	20,630
<b>Total Disbursements</b>	18,074,533	18,728,923	18,113,038	615,885
Excess of Receipts Under Disbursements	530,349	96,503	395,141	298,638
<b>Other Financing Sources (Uses):</b>				
Advances-In	10,000	70,000	67,214	(2,786)
Advances-Out	(25,000)	(55,511)	(55,511)	
<b>Total Other Financing Sources</b>	(15,000)	14,489	11,703	(2,786)
Changes in Fund Balance	515,349	110,992	406,844	295,852
Fund Balance at Beginning of Year	1,457,596	1,457,596	1,457,596	
Prior Year Encumbrances Appropriated	411,449	411,449	411,449	
<b>Fund Balance at End of Year</b>	\$2,384,394	\$1,980,037	\$2,275,889	\$295,852

See accompanying notes to basic financial statements.

ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$47,172</u>	<u>\$68,102</u>
<b>Net Assets:</b>		
Held for Student Activities		68,102
Held in Trust for Scholarships	<u>47,172</u>	<u>          </u>
<b>Total Net Assets</b>	<u>\$47,172</u>	<u>\$68,102</u>

*See accompanying notes to basic financial statements.*

ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Contributions	\$13,422
Interest	2,016
Total Additions	<u>15,438</u>
<b>Deductions</b>	
Scholarships	12,628
Other	1,602
Total Deductions	<u>14,230</u>
Change in Net Assets	1,208
Net Assets - Beginning of Year	<u>45,964</u>
<b>Net Assets - End of Year</b>	<u><u>\$47,172</u></u>

*See accompanying notes to the basic financial statements.*

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**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District is located in a prosperous community within Allen County, consisting of residences and significant office and retail commercial development. The School District is staffed by 100 non-certificated employees and 160 certificated employees who provide services to 2,454 students and other community members.

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

**A. Primary Government**

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities.

**B. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District.

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

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

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

The School District is associated with seven organizations which are defined as jointly governed organizations and public entity risk pools. These organizations include the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resources Center (SERRC), Northwest Ohio Area Computer Service Cooperative Workers' Compensation Rating Plan Program, Allen County Schools Health Benefit Plan, and the Southwestern Ohio Educational Council Property, Fleet, and Liability Program. These organizations are presented in Notes 14 and 15 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Accounting**

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

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

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

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

**B. Basis of Presentation**

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

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Government-Wide Financial Statements**

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

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

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

**2. Fund Financial Statements**

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

**C. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Fiduciary Funds**

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

**D. Budgetary Process**

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

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

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

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the 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. 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.

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.



**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Investments**

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

During 2006, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 was \$126,207, which included \$5,289 assigned from other School District funds.

**F. Restricted Assets**

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

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**J. Accumulated Leave**

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

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

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

**M. Interfund Transactions**

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

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

**N. Intergovernmental Revenues**

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

**O. Receipts and Expenditures**

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

**P. Equity Classifications**

**1. Government-Wide Statements**

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

**2. Fund Financial Statements**

Governmental fund equity is classified as fund balance.

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, bus purchases, textbooks, budget stabilization and unclaimed monies.

Under Ohio law, unclaimed monies must be held for five years before it becomes available for appropriation. Monies not yet held for the five year period are presented as reserved. The reserve for textbooks represents money required to be set-aside by state statute for the purchase of textbooks and instructional materials.

**3. COMPLIANCE**

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

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of cash, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Receipts, Disbursements, and Change in Fund Balance - Budget and Actual – Budget Basis, for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis is as follows:

- 1. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis).

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

<b>Change in Fund Balance</b>	
Cash Basis	\$2,649,632
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(373,743)</u>
Budget Basis	<u><u>\$2,275,889</u></u>

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

At year end, the School District had \$500 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**A. Deposits**

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

At year end, the carrying amount of the School District's deposits was \$2,251,012 and the bank balance was \$3,170,373. Of the bank balance, \$600,000 was covered by federal depository insurance. Of the remaining uninsured bank balance, \$2,570,373 was collateralized with securities held by the pledging institution's trust department not in the School District's name.

**B. Investments**

Investments are reported at fair value. As of June 30, 2006, the School District's only investment included \$986,236 in STAR Ohio.

**C. Interest Rate Risk**

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

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**D. Credit Risk**

The investment in Star Ohio carries a rating of AAA by Standard and Poors.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

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

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

Public utility property tax receipts received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Tangible personal property tax receipts received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Allen County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Property:				
Agricultural/Residential	\$307,075,980	87.07%	\$311,063,280	89.5%
Industrial/Commercial				
Public Utility Property	9,328,680	2.64	8,827,730	2.60
Tangible Personal Property	36,274,840	10.29	27,665,882	7.90
Total Assessed Value	<u>\$352,679,500</u>	<u>100.00%</u>	<u>\$347,556,892</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$31.32		\$33.14	

**7. INTERFUND RECEIVABLES/PAYABLES**

At June 30, 2006, the General Fund had unpaid interfund cash advances for short term loans, in the amount of \$13,752 to the Learn and Serve fund, \$16,440 to the Title II A fund, and \$25,319 to the Title V fund. These are expected to be repaid within one year. At June 30, 2006, the General Fund had unpaid cash advances from October 1, 2002 through October 31, 2004 totaling \$110,000 to the Food Service Fund. These are expected to be repaid as funds become available from cost reduction measures applied to this area.

**8. RISK MANAGEMENT**

**A. Public Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District contracted through the Southwestern Ohio Education Purchasing Council with various companies for the following insurance coverage:

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Property	\$300,000,000
Boiler and Machinery	50,000,000
Automobile Liability	1,000,000
Educator's Legal Liability	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Umbrella Coverage	5,000,000

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

**B. Health Care Benefits**

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

**C. Workers' Compensation**

The School District participates in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**9. DEFINED BENEFIT PENSION PLANS**

**A. 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 retirement and disability benefits to members and death and survivor benefits to 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.



**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 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 School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was \$1,056,576, \$1,021,225, and \$1,071,157, respectively, 84 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$8,604 made by the School District and \$12,689 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was \$258,919, \$241,402, and \$214,386, respectively; 46 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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 obligation 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.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006 and 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$81,275.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

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 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$120,182 for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221 percent of next year's projected net health care costs. SERS has 59,492 participants currently eligible to receive health care benefits.

**11. DEBT**

**A. Debt Obligations**

Debt obligations of the School District at June 30, 2006, consisted of the following:

	<u>Principal Outstanding 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/06</u>	<u>Due Within One Year</u>
Energy Conservation Note – School Building Construction Interest Rate 4%	\$517,724	\$ 0	\$ 48,851	\$ 468,873	\$51,050
Land Note - Land purchase Interest Rate 3.3%	68,283	0	68,283	0	
Total Debt Obligations	<u>\$586,007</u>	<u>\$ 0</u>	<u>\$117,134</u>	<u>\$468,873</u>	<u>\$51,050</u>

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 and Debt Service fund.

The land note was issued on December 21, 2001, for \$259,650 at an interest rate of 3.3 percent. The note was for the purpose of the purchase of land. The note was issued for a five year period with a final maturity during fiscal year 2006, and was retired from the General fund and Debt Service fund.

**B. Future Debt Requirements**

The annual requirements to amortize all debt outstanding as of June 30, 2005 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 51,050	\$ 18,678	\$ 69,728
2008	53,055	16,640	69,695
2009	55,200	14,521	69,721
2010	57,791	12,318	70,109
2011	60,001	10,025	70,026
2012-2014	191,776	15,390	207,166
Total	<u>\$468,873</u>	<u>\$87,572</u>	<u>\$556,445</u>

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. SET ASIDE REQUIREMENTS**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2006.

	<b>Textbooks</b>	<b>Capital Improvements</b>	<b>Budget Stabilization</b>
Balance June 30, 2005	\$ 314,536	\$ (592,226)	\$57,832
Current Year Set Aside Requirement	340,608	340,608	
Qualifying Cash Disbursements	(318,788)	(340,608)	
Amount Carried Forward to Fiscal Year 2006	\$ 336,356	\$ (592,226)	\$ 57,832

For capital improvements, the amount carried forward represents capital expenditures from bond or note proceeds, which can be used to reduce the set aside requirements of future years.

**13. CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

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

<b>Contractor</b>	<b>Project</b>	<b>Amount Outstanding</b>
Cardinal Bus Sales	School Bus	\$64,275
Garmann/Miller	Architects	18,000
Dell Computer	Equipment	30,056
Trisco Systems	Stadium Repair	45,438
Suever Stone	Asphalt Work	33,700
Equipment Guys	Weightroom Equipment	9,313
Lima Fire Equipment	Fire Suppression System	11,000
Blue Bird Body Co.	School Bus	66,415
Choice One Engineering	Survey	6,950
Total Commitments		<b>\$ 285,147</b>

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Northwest Ohio Area Computer Services Cooperative, at 645 South Main Street, Lima, Ohio 45804.

**B. Apollo 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, 3325 Shawnee Road, Lima, Ohio 45806.

**C. 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 Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**D. West Central Ohio Regional Professional Development Center (the Center)**

The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam 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 to instructional programs.

The Center is governed by a board made up of 52 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 Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. GROUP INSURANCE PURCHASING POOL**

**A. Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Plan**

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

**B. Allen County Schools Health Benefit Plan**

The School District participates in the Allen County Schools Health Benefit Plan (the plan), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under 26 U.S.C. Section 501(c)(9) and provides medical, accident and other benefits to the employees of the participating school districts. 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, 1920 Slabtown Road, Lima, Ohio 45801.

**C. Southwestern Ohio Educational Council Property, Fleet, and Liability Program**

The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL). The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts.

**16. CONTINGENCIES**

**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, 2006.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
National School Breakfast Program	05PU-2005	10.553	\$4,045		\$4,045	
	05PU-2006		30,388		30,388	
Sub-Total			<u>34,433</u>		<u>34,433</u>	
National School Lunch Program	LLP4-2005	10.555	30,860		30,860	
	LLP4-2006		254,868		254,868	
Sub-Total			<u>285,728</u>		<u>285,728</u>	
Total Nutrition Cluster			320,161		320,161	
Food Distribution Program	N/A	10.550		\$102,081		\$102,081
Total U.S. Department of Agriculture			320,161	102,081	320,161	102,081
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Title VI-B Handicapped	6B-SF-2005	84.027	41,228			
	6B-SF-2006		533,085		503,974	
Total Title VI-B Handicapped			<u>574,313</u>		<u>503,974</u>	
Technology Literacy Grant	TJS1-2005	84.318	332			
	TJS1-2006		6,299		6,299	
Total Technology Literacy Grant			<u>6,631</u>		<u>6,299</u>	
Title I	C1-S1-2005	84.010	169,591		170,792	
	C1-S1-2006		316,926		303,208	
Total Title I			<u>486,517</u>		<u>474,000</u>	
Drug Free Schools	DR-S1-2006	84.186	12,886		12,886	
Title V - Innovative Education Program	C2-S1-06	84.298	7,164		32,482	
Improving Teacher Quality - Title II Part A	TRS1-2005	84.367	14,270		24,179	
	TRS1-2006		120,033		136,474	
Total Improving Teacher Quality			<u>134,303</u>		<u>160,653</u>	
Hurricane Education Recovery	HR-01-2006	84.938	16,000		16,000	
Total U. S. Department of Education			1,237,814		1,206,294	
<b>Corporation for National and Community Service</b>						
(Passed through Ohio Department of Education)						
Learn and Serve Grant	SV-S1-2005	94.004	27,000		7,396	
	SV-S1-2006		14,403		22,105	
Total			<u>41,403</u>		<u>29,501</u>	
<b>Total Federal Assistance</b>			<u>\$1,599,378</u>	<u>\$102,081</u>	<u>\$1,555,956</u>	<u>\$102,081</u>

See accompanying notes to the schedule of federal awards expenditures.

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. The expenditures of non federal money is not included on the schedule.

**NOTE C - FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elida Local School District, Allen County, (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 5, 2007, wherein, we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 5, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the School District's management dated March 5, 2007, we reported a matter related to noncompliance we deemed immaterial.

Elida Local School District  
Allen County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor**  
Auditor of State

March 5, 2007



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND ON 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, Allen County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Elida Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2006.

#### **Internal Control Over Compliance**

The School District's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 5, 2007

**ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

**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)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010: Title I CFDA #' 84.027: Title VI B
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**FINDING NUMBER 2006-001**

**NONCOMPLIANCE – OHIO REVISED CODE**

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

**Ohio Admin Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles.

The School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with generally accepted accounting principles.

**Officials' Response:**

The School District officials do not feel it is cost effective for conversion and future reporting needs.

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

None.

ELIDA LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC Sec. 117.38 and OAC Sec. 117-2-03 (B) – District filed cash basis financial statements.	No	Repeated as finding 2006-001







**Mary Taylor, CPA**  
Auditor of State

**ELIDA LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2007**