



Dave Yost • Auditor of State

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Elida Local School District
Allen County
4380 Sunnydale Avenue
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, 2011, 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, Allen County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof 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.

As described in Note 3, during fiscal year 2011 the School District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2012, 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 taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

May 1, 2012

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

The discussion and analysis of the 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, 2011, within the limitations of modified 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 2011 are as follows:

- In total, net assets decreased \$16,669,783. The fund most affected by the decrease in cash and cash equivalents was the Building Fund, which realized 98.3% of the decrease and the General Fund realized 3.6%. The Other Governmental Fund net assets increased by \$330,559.
- 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 the property taxes and unrestricted state entitlements 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 modified cash basis of accounting.

The School District has elected to present its financial statements on a modified 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 modified 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 modified 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 modified 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 and Building Fund are the most significant funds.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2011, within the limitations of modified 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. 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 funds are the General Fund and Building Fund.

Governmental Funds – All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using the modified 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

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 2011 compared to fiscal year 2010:

**Table 1
Net Assets**

	Governmental Activities	
	2011	2010
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 1,627,189	\$ 4,187,860
Equity in Pooled Cash and Cash Equivalents with Escrow Agents	602,224	
Investments	9,459,577	24,236,384
Restricted Equity in Pooled Cash and Cash Equivalents	365,507	300,036
Total Assets	12,054,497	28,724,280
Net Assets:		
Restricted:		
Debt Service	546,664	391,694
Capital Outlay	7,842,244	24,255,245
Other Purposes	1,291,414	995,220
Unrestricted	2,374,175	3,082,091
Total Net Assets	\$12,054,497	\$28,724,280

As mentioned previously, total net assets decreased \$16,669,783. The primary reason contributing to the decrease in cash balances is due to the construction of the new high school.

Table 2 reflects the changes in net assets for fiscal year 2011.

**Table 2
Changes in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010	Net Increase (Decrease)
Receipts:			
Program Receipts:			
Charges for Service and Sales	\$ 2,542,070	\$ 2,410,060	\$ 132,010
Operating Grants and Contributions	2,444,176	2,671,105	(226,929)
Capital Grants and Contributions	63,608	85,298	(21,690)
Total Program Receipts	5,049,854	5,166,463	(116,609)

(Continued)

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

**Table 2
Changes in Net Assets
(Continued)**

	Governmental Activities 2011	Governmental Activities 2010	Net Increase (Decrease)
General Receipts:			
Property Taxes Levied for:			
General Purposes	8,604,027	8,638,731	(34,704)
Permanent Improvement	307,955	311,342	(3,387)
Debt Service	2,208,734	2,036,292	172,442
Grants and Entitlements	10,131,230	9,441,140	690,090
Gifts and Donations	4,627		4,627
Investment Earnings	221,022	658,012	(436,990)
Sale of Fixed Assets	8,200		8,200
Miscellaneous	189,412	138,393	51,019
Rent	19,321		19,321
Refund of Prior Year Expenditures	250		250
Advances Out	(1,645)		(1,645)
Total General Receipts	<u>21,693,133</u>	<u>21,223,910</u>	<u>469,223</u>
Total Receipts	26,742,987	26,390,373	352,614
Disbursements:			
Instruction:			
Regular	12,835,179	12,459,476	375,703
Special	2,301,662	2,461,508	(159,846)
Vocational	23,564	20,977	3,587
Support Services:			
Pupil	1,153,140	1,094,186	58,954
Instructional Staff	733,750	695,320	38,430
Board of Education	23,743	26,552	(2,809)
Administration	1,587,797	1,532,061	55,736
Fiscal	534,354	515,243	19,111
Business	194,571	189,956	4,615
Operation and Maintenance of Plant	1,898,714	1,860,774	37,940
Pupil Transportation	1,133,472	1,064,168	69,304
Operation of Non-Instructional	167,275	151,324	15,951
Food Services	1,026,886	1,015,163	11,723
Extracurricular Activities	709,043	726,011	(16,968)
Capital Outlay	16,519,695	12,949,311	3,570,384
Principal	972,845	707,237	265,608
Interest and Fiscal Charges	1,594,740	1,612,979	(18,239)
Bond Issuance Cost	1,340	1,020	320
Total Governmental Activities	<u>43,412,770</u>	<u>39,083,266</u>	<u>4,329,504</u>
Decrease in Net Assets	<u>(\$16,669,783)</u>	<u>(\$12,692,893)</u>	<u>(\$3,976,890)</u>

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

General receipts represent 81 percent of the School District's total receipts. Of the general receipts, 47 percent is the result of unrestricted grants and entitlements, which primarily represent the State foundation resources, property taxes make up 51 percent of the general receipts. Other receipts, such as interest and rent are very insignificant and somewhat unpredictable revenue sources.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

The major program disbursements for governmental activities are for instruction, which accounts for 35 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 7 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 4 percent. Therefore, 46 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 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 2011 and 2010.

**Table 3
Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction:				
Regular	\$12,835,179	(\$10,761,377)	\$12,459,476	(\$10,659,378)
Special	2,301,662	(794,940)	2,461,508	(537,388)
Vocational	24,564	(11,890)	20,977	(8,397)
Adult/Continuing				
Support Services:				
Pupil	1,153,140	(1,148,140)	1,094,186	(1,089,186)
Instructional Staff	733,750	(733,750)	695,320	(695,320)
Board of Education	23,743	(23,743)	26,552	(26,552)
Administration	1,587,797	(1,587,797)	1,532,061	(1,532,061)
Fiscal	534,354	(534,354)	515,243	(515,243)
Business	194,571	(194,571)	189,956	(189,956)
Plant Operation & Maintenance	1,898,714	(1,898,714)	1,860,774	(1,860,774)
Pupil Transportation	1,133,472	(1,105,805)	1,064,168	(1,024,994)
Central		9,100		9,145
Operation of Non-Instructional	167,275	(167,275)	151,324	(151,324)
Food Services	1,026,886	30,705	1,015,163	21,883
Extracurricular Activities	709,043	(415,353)	726,011	(472,009)
Capital Outlay	16,519,695	(16,456,087)	12,949,311	(12,864,013)
Principal	972,845	(972,845)	707,237	(707,237)
Interest and Fiscal Charges	1,594,740	(1,594,740)	1,612,979	(1,612,979)
Bond Issuance Costs	1,340	(1,340)	1,020	(1,020)
Total Government Activities	\$43,412,770	(\$38,362,916)	\$39,083,266	(\$33,916,803)

The dependence upon tax receipts and unrestricted state entitlements is apparent as 76 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 65 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 2011. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. 41 percent of extracurricular activities disbursements are covered by program receipts. This is the result of pay to participate fees.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. Total governmental funds (excluding transfers and advances, and refund of prior year expenditures) had receipts of \$26,744,382 and disbursements of \$43,412,770. The greatest change within governmental funds occurred within the Building Fund as the district is constructing a new high school.

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 2011, the School District amended its General Fund budget as needed. Final budgeted receipts are in the amount of \$19,692,458 (excluding transfers and advances). The final budget was within 0.12 percent of actual.

Final disbursements were budgeted at \$21,822,140 (excluding advances) while actual disbursements were \$20,978,463 (excluding advances). The School District was able to keep spending very close to budgeted amounts as demonstrated by the minor changes which occurred.

Actual General Fund disbursements were more than receipts by \$1,262,070, before "Other Financing Sources and Uses".

Debt Administration

At June 30, 2011, the School District's outstanding debt totaled \$37,176,477. For further information regarding the School District's debt, refer to Note 12 to the basic financial statements.

Current Issues

The School District continues to operate in a lean fashion. The School District has concerns on the state budget. The recent cuts to education totaled \$3 billion dollars. The district is currently constructing a new high school and passed a renewal levy in the spring of 2010.

Other Current Issues Include:

- Funding from the state continues to be an issue
- State aid will be cut to 2003 levels by FY2013
- Loss of the inventory tax reimbursement will be harmful to schools
- Food service operated in the black by \$48,338
- Drivers Education operated in the black by \$3,128
- Repairs to all buildings totaled \$65,696
- Educational supplies purchased totaled \$299,094
- Increased health care will be a concern over the next 2 years
- Permanent improvement expenditures totaled \$173,412
- Real Estate revenue decreased by \$91,391

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 Sunndydale Road, Elida, Ohio 45807.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2011**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,627,189
Equity in Pooled Cash and Cash Equivalents with Escrow Agents	602,224
Investments	9,459,577
Restricted Equity in Pooled Cash and Cash Equivalents	365,507
Total Assets	<u>12,054,497</u>
Net Assets:	
Restricted for:	
Debt Service	546,664
Capital Outlay	7,842,244
Other Purposes	1,291,414
Unrestricted	2,374,175
Total Net Assets	<u>\$12,054,497</u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Cash Disbursements</u>	<u>Program Revenues</u>			<u>Net(Expense)R evenue and Changes in Net</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$12,835,179	\$1,687,559	\$386,243		(\$10,761,377)
Special	2,301,662	57,899	1,448,823		(794,940)
Vocational	24,564		12,674		(11,890)
Support Services:					
Pupils	1,153,140		5,000		(1,148,140)
Instructional Staff	733,750				(733,750)
Board of Education	23,743				(23,743)
Administration	1,587,797				(1,587,797)
Fiscal	534,354				(534,354)
Business	194,571				(194,571)
Operation and Maintenance of Plant	1,898,714				(1,898,714)
Pupil Transportation	1,133,472		27,667		(1,105,805)
Central			9,100		9,100
Operation of Non-Instructional Services	167,275				(167,275)
Operation of Food Services	1,026,886	504,777	552,814		30,705
Extracurricular Activities	709,043	291,835	1,855		(415,353)
Capital Outlay	16,519,695			\$63,608	(16,456,087)
Debt Service:					
Principal	972,845				(972,845)
Issuance Costs	1,340				(1,340)
Interest and Fiscal Charges	1,594,740				(1,594,740)
Total Governmental Activities	<u>\$43,412,770</u>	<u>\$2,542,070</u>	<u>\$2,444,176</u>	<u>\$63,608</u>	<u>(38,362,916)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					8,604,027
Debt Service					2,208,734
Permanent Improvement					307,955
Grants and Entitlements not Restricted to Specific Programs					10,131,230
Gifts and Donations not Restricted to Specific Programs					4,627
Investment Earnings					221,022
Miscellaneous					189,412
Rent					19,321
Proceeds from Sale of Capital Assets					8,200
Refund of Prior Year Expenditures					250
Advances Out					(1,645)
Total					<u>21,693,133</u>
Change in Net Assets					<u>(16,669,783)</u>
Net Assets Beginning of Year					<u>28,724,280</u>
Net Assets End of Year					<u>\$12,054,497</u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents		\$258,280	\$1,368,909	\$1,627,189
Equity in Pooled Cash and Cash Equivalents with Escrow Agents		602,224		602,224
Investments	\$2,422,232	6,981,740	55,605	9,459,577
Restricted Equity in Pooled Cash and Cash Equivalents	365,507			365,507
Total Assets	<u>2,787,739</u>	<u>7,842,244</u>	<u>1,424,514</u>	<u>12,054,497</u>
Fund Balances:				
Restricted	365,507	7,842,244	1,424,514	9,632,265
Assigned	428,565			428,565
Unassigned	1,993,667			1,993,667
Total Fund Balances	<u>\$2,787,739</u>	<u>\$7,842,244</u>	<u>\$1,424,514</u>	<u>\$12,054,497</u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property and Other Local Taxes	\$8,604,027		\$2,516,689	\$11,120,716
Intergovernmental	9,059,340		3,512,622	12,571,962
Interest	20,272	\$199,309	5,211	224,792
Tuition and Fees	1,745,459			1,745,459
Rent	19,311		10	19,321
Extracurricular Activities	32,745		209,928	242,673
Gifts and Donations	3,384		64,851	68,235
Customer Sales and Services	1,384		499,513	500,897
Miscellaneous	230,471	1,400	10,256	242,127
Total Receipts	<u>19,716,393</u>	<u>200,709</u>	<u>6,819,080</u>	<u>26,736,182</u>
Disbursements:				
Current:				
Instruction:				
Regular	12,151,366		683,813	12,835,179
Special	1,511,850		789,812	2,301,662
Vocational	1,750		22,814	24,564
Support Services:				
Pupils	605,045		548,095	1,153,140
Instructional Staff	496,091		237,659	733,750
Board of Education	23,743			23,743
Administration	1,433,085		154,712	1,587,797
Fiscal	484,367		49,987	534,354
Business	194,571			194,571
Operation and Maintenance of Plant	1,817,095		81,619	1,898,714
Pupil Transportation	1,111,091		22,381	1,133,472
Operation of Non-Instructional Services			167,275	167,275
Food Service Operations	32,529		994,357	1,026,886
Extracurricular Activities:				
Academic Oriented Activities	54,107		3,130	57,237
Sport Oriented Activities	472,744		159,776	632,520
School and Public Service Co-Curricular Activities	19,286			19,286
Capital Outlay:				
Building Acquisition and Construction Services	4,445	16,400,167	115,083	16,519,695
Debt Service:				
Principal	252,845		720,000	972,845
Interest	14,690		1,580,050	1,594,740
Issuance Costs		1,340		1,340
Total Disbursements	<u>20,680,700</u>	<u>16,401,507</u>	<u>6,330,563</u>	<u>43,412,770</u>
Excess of Revenues Over (Under) Disbursements	<u>(964,307)</u>	<u>(16,200,798)</u>	<u>488,517</u>	<u>(16,676,588)</u>
Other Financing Sources and Uses:				
Transfers In	193,342			193,342
Advances In	187,221		29,263	216,484
Proceeds from Sale of Capital Assets	8,200			8,200
Refund of Prior Year Expenditures	250			250
Transfers Out		(193,342)		(193,342)
Advances Out	(30,908)		(187,221)	(218,129)
Total Other Financing Sources and Uses	<u>358,105</u>	<u>(193,342)</u>	<u>(157,958)</u>	<u>6,805</u>
Net Change in Fund Balances	(606,202)	(16,394,140)	330,559	(16,669,783)
Fund Balance Beginning of Year (Restated - Note 3)	<u>3,393,941</u>	<u>24,236,384</u>	<u>1,093,955</u>	<u>28,724,280</u>
Fund Balance at End of Year	<u>\$2,787,739</u>	<u>\$7,842,244</u>	<u>\$1,424,514</u>	<u>\$12,054,497</u>

See accompanying notes to the 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, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$8,615,000	\$8,615,000	\$8,604,027	(\$10,973)
Intergovernmental	9,295,500	9,295,500	9,059,340	(236,160)
Interest	45,000	45,000	20,272	(24,728)
Tuition and Fees	1,560,000	1,560,000	1,745,459	185,459
Rent	14,000	14,000	19,311	5,311
Extracurricular Activities	36,000	36,000	32,745	(3,255)
Gifts and Donations	1,000	4,000	3,384	(616)
Customer Sales and Services	450	1,950	1,384	(566)
Miscellaneous	108,608	121,008	230,471	109,463
Total Receipts	<u>19,675,558</u>	<u>19,692,458</u>	<u>19,716,393</u>	<u>23,935</u>
Disbursements:				
Current:				
Instruction:				
Regular	12,268,996	12,827,496	12,239,177	588,319
Special	1,687,883	1,787,883	1,678,068	109,815
Vocational	2,435	2,435	1,776	659
Support Services:				
Pupils	728,095	728,095	607,812	120,283
Instructional Staff	523,888	524,758	499,037	25,721
Board of Education	22,143	22,143	23,774	(1,631)
Administration	1,401,729	1,401,729	1,438,260	(36,531)
Fiscal	488,450	488,450	505,277	(16,827)
Business	193,508	200,483	195,126	5,357
Operation and Maintenance of Plant	1,825,714	1,862,714	1,823,298	39,416
Pupil Transportation	1,081,688	1,128,688	1,114,205	14,483
Operation of Non-Instructional Services:				
Food Service Operations	44,788	44,788	32,630	12,158
Extracurricular Activities:				
Academic Oriented Activities	56,039	56,039	54,107	1,932
Occupation Oriented Activities	23	23		23
Sport Oriented Activities	440,707	440,707	473,380	(32,673)
School and Public Service Co-Curricular Activities	18,348	18,348	20,556	(2,208)
Capital Outlay:				
Building Acquisition and Construction Services	14,826	19,826	4,445	15,381
Debt Service:				
Principal	57,237	252,845	252,845	
Interest	12,379	14,690	14,690	
Total Disbursements	<u>20,868,876</u>	<u>21,822,140</u>	<u>20,978,463</u>	<u>843,677</u>
Excess of Receipts Over (Under) Disbursements	(1,193,318)	(2,129,682)	(1,262,070)	867,612
Other Financing Sources and Uses:				
Transfers In		193,342	193,342	
Advances In	50,000	187,000	187,221	221
Proceeds from Sale of Capital Assets			8,200	8,200
Refund of Prior Year Expenditures			250	250
Advances Out	(25,000)	(32,000)	(30,908)	1,092
Total Other Financing Sources and Uses	<u>25,000</u>	<u>348,342</u>	<u>358,105</u>	<u>9,763</u>
Net Change in Fund Balances	(1,168,318)	(1,781,340)	(903,965)	877,375
Fund Balance at Beginning of Year (Restated - Note 3)	3,229,515	3,229,515	3,229,515	
Prior Year Encumbrances Appropriated	164,426	164,426	164,426	
Fund Balance at End of Year	<u>\$2,225,623</u>	<u>\$1,612,601</u>	<u>\$2,489,976</u>	<u>\$877,375</u>

See accompanying notes to the basic financial statements.

ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$79,168	\$49,527
Total Assets	<u>79,168</u>	<u>49,527</u>
Net Assets:		
Held for Student Activities		49,527
Held in Trust for Scholarships	79,168	
Total Net Assets	<u>\$79,168</u>	<u>\$49,527</u>

See accompanying notes to the basic financial statements.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
Additions:	
Contributions	\$32,138
Advance In	1,645
Interest	664
Total Additions	<u>34,447</u>
Deductions:	
Scholarships	<u>32,233</u>
Total Deductions	<u>32,233</u>
Change in Net Assets	2,214
Net Assets - Beginning of Year - Restated	<u>76,954</u>
Net Assets - End of Year	<u><u>\$79,168</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, 2011**

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 107 non-certificated employees and 164 certificated employees who provide services to 2,505 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 District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. 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.

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

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

The School District participates in three jointly governed organizations and three 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, Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), Allen County Schools Health Benefit Plan, and the Southwestern Ohio Educational Purchasing Council Insurance Program. These organizations are presented in Notes 15 and 16 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 modified cash basis of accounting. This modified 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 modified 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 modified 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 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, 2011
(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 the modified 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 major funds are the General Fund and the Building 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building Fund – The Building Fund is used to account for all financial activity for the purpose of constructing a high school building, constructing additions to, renovating, and improving existing school facilities.

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

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 forecast, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The forecast 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/special cost center/object level for the General Fund and the fund/special cost center level for all other funds.

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 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.

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 re-appropriated.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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" or as "Restricted Equity in Pooled Cash and Cash Equivalents".

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2011, the School District invested in nonnegotiable certificates of deposit, mutual funds, municipal bonds, federal agency securities 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, 2011.

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 2011 was \$20,272, which included \$1,119 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 bus purchases, unclaimed monies, and acquisition of textbooks and instructional materials.

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. Inter-fund Receivables/Payables

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 10 and 11, 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. Inter-fund Transactions

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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental 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. 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 external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 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. 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."

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

P. 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District has the following program receipts: charges for services and sales, and 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.

Q. Changes in Accounting Principles

For the fiscal year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* and GASB Statement No. 59, *“Financial Instruments Omnibus.”*

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

3. RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal year 2011, the School District its financial statements to reflect the modifications outlined in GASB Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”*.

The restatement had the following effect on fund balances as of June 30, 2010:

	General Fund	Building Fund	All Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2011	\$3,382,127	\$24,236,384	\$1,105,769	\$28,724,280
Change in Fund Structure	11,814		(11,814)	
Adjusted Fund Balance at June 30, 2010	<u>\$3,393,941</u>	<u>\$24,236,384</u>	<u>\$1,093,955</u>	<u>\$28,724,280</u>

The beginning budget basis balance of the General Fund was increased by \$11,198 to reflect the change in fund structure as a result of GASB 54.

4. 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and the cash basis is that encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis). The adjustments necessary to reconcile the cash and budgetary basis statements for the General Fund are as follows:

Change in Fund Balance	
Cash Basis	\$2,787,739
Increase (Decrease) Due to:	
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(297,763)
Budget Basis	\$2,489,976

6. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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;

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

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;
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.

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 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 District's deposits was \$2,711,587 and the bank balance was \$2,907,672. At year end, \$1,279,011 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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.

B. Investments

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>	<u>% of Portfolio</u>
Certificate of Deposit	\$8,836,800	\$8,553,447	3 months to 11 months	93.3
Government & Agency Mutual Funds	71,488	68,169	current	0.8
Municipal Bonds	551,287	504,240	6 to 24 months	5.8
STAR Ohio	12,030	12,030		0.1
Total Carrying Value	<u>\$9,471,605</u>	<u>\$9,137,886</u>		<u>100.0</u>

Concentration of Credit Risk

The School District diversifies its investments by security, type, and institution. The table above indicates the percentage of each investment to the total portfolio.

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.

Credit Risk

STAR Ohio carries a rating of AAm by Standard & Poor's. The Municipal Bonds carry a rating of AA from Standards and Poor's and Moody's.

Custodial Credit Risk

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 Municipal Bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name.

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."

7. 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

7. PROPERTY TAXES (Continued)

Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

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

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

Tangible personal property tax revenues received in calendar year 2011 (other than a public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

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

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

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$353,182,760	98.00%	\$351,473,040	98.00%
Public Utility Property	7,493,560	2.00	7,817,260	2.00
Total Assessed Value	<u>\$360,676,320</u>	<u>100.00%</u>	<u>\$359,290,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.30		\$41.34	

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

8. INTERFUND RECEIVABLES/PAYABLES

At June 30, 2011, the General Fund had unpaid inter-fund cash advances for short term loans, in the amount of \$5,011 to the Title II-A fund, \$1,645 to the Educational Foundation fund, \$461 to the Race To The Top fund, \$19,087 to the ARRA-IDEA Fund, and \$4,704 to the ARRA Title I fund. These are expected to be repaid within one year.

The General Fund received a return of advances totaling \$187,221 during 2011, which consisted of \$45,000 from the Lunchroom Fund (Fund 006) and \$142,221 from various grant funds.

During fiscal year 2011, the Building Fund made a transfer of \$193,342 to the General Fund for interest earnings on note proceeds due to retiring HB 264 issued June 15, 1998.

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted through the Southwestern Ohio Education Purchasing Council with various companies for the following insurance coverage:

Property	\$350,000,000
Boiler & Machinery	100,000,000
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.

A. 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.

B. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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.

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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,327,215, \$1,184,232 and \$1,169,412 respectively; 83.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DCP and CP for fiscal year 2011 were \$15,982 made by the School District and \$11,416 made by the plan members.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School's District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were 400,596, \$364,556, and \$257,585, respectively; 44.52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

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

11. POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

11. POST EMPLOYMENT BENEFITS (Continued)

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$96,758, \$93,390, and \$90,741 respectively; 83.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$45,424.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$44,555, \$13,122, and \$117,883 respectively; 44.52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$23,680, \$21,679, and \$21,253 respectively; 44.52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

12. DEBT

Debt Obligations

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

	Interest Rate	Balance 6/30/10	Additions	Reductions	Balance 6/30/11	Due Within One Year
General Long-Term Obligations:						
Energy Conservation Note						
School Building Construction	4.65%	\$ 252,845		\$252,845		
OSFC General Obligation Bonds	3-4%	11,670,000		720,000	\$10,950,000	\$1,065,000
Serial Bonds	4.5-	25,160,000			25,160,000	
Term Bonds	4.75%	769,986			769,986	
Capital Appreciation Bonds	15.28%	137,282			137,282	
Accretion on Capital Bonds			\$159,209		159,209	
Total OSFC General Obligation Bonds		<u>37,737,268</u>		<u>720,000</u>	<u>37,017,268</u>	<u>1,065,000</u>
Total General Long-Term Obligations		<u>\$37,990,114</u>	<u>\$159,209</u>	<u>\$972,846</u>	<u>\$37,176,477</u>	<u>\$1,065,000</u>

Energy Conservation Notes – Energy conservation notes were issued on July 15, 1998, for \$764,180, with an interest rate of 4.65 percent, 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 and Debt service funds.

High School General Obligation Bonds – On September 4, 2008, the School District issued serial bonds in the amount of \$12,320,000, term bonds in the amount of \$25,160,000 and capital appreciation bonds in the amount of \$769,986 for a total of \$38,249,986 in voted general obligation bonds for constructing a high school.

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

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2027 in the amount of \$6,225,000, at a redemption price equal to 100 percent of the principal amount redeemed accrued interest to the redemption date.

The term bonds maturing on December 1, 2036 are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2036 (with the balance of \$18,935,000 to be paid at stated maturity on December 1, 2036).

The capital appreciation bonds will mature in fiscal years 2020 thru 2023. The maturity amount for the bonds is \$5,820,000. For fiscal year 2011, the accretion was \$159,209.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, were as follows:

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

12. DEBT (Continued)

Fiscal Year	General Obligation Bonds			
	Ending	Serial		Term
	Principal	Interest	Principal	Interest
2012	\$ 1,065,000	\$ 373,737		\$ 1,179,538
2013	1,095,000	341,338		1,179,538
2014	1,130,000	306,550		1,179,538
2015	1,165,000	267,800		1,179,538
2016	1,205,000	226,325		1,179,538
2017-2021	5,290,000	426,781		5,897,687
2022-2026			\$ 2,975,000	5,765,276
2027-2031			8,705,000	4,264,294
2032-2036			10,965,000	1,947,382
2037			2,515,000	59,731
Totals	<u>\$10,950,000</u>	<u>\$1,942,531</u>	<u>\$25,160,000</u>	<u>\$23,832,060</u>

Fiscal Year	Capital Appreciation Bonds	
Ending	Principal	Interest
2021	\$237,150	\$1,217,850
2022	204,486	1,250,514
2023	176,317	1,278,683
2024	152,033	1,302,967
Total	<u>\$769,986</u>	<u>\$5,050,014</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

13. 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.

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

	Textbooks	Capital Improvements
Balance June 30, 2010	\$249,667	
Current Year Set Aside Requirement	370,440	\$370,440
Qualifying Offset – Permanent Improvement Levy		(306,057)
Qualifying Expenditures	(299,015)	(64,383)
Totals	<u>321,092</u>	<u></u>
Amount Carried Forward to Fiscal Year 2011	<u>\$ 321,092</u>	<u>\$ 0</u>

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. Effective July 1, 2011, the textbook set-aside laws have been repealed.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

14. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

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

<u>Contractor</u>	<u>Project</u>	<u>Amount Outstanding</u>
ACI CONSTRUCTION CO INC	New High School	\$ 135,345
KELLEY BROTHERS ROOF, INC	New High School	160,987
BRECKENRIDGE KITCHEN EQPT	New High School	29,139
VULCAN ENTERPRISES, INC	New High School	34,399
SLAGLE MECHANICAL CONTRACT	New High School	267,389
SOLLMANN ELECTRIC CO	New High School	177,470
FOUR SEASONS ENVIRONMENTAL INC	New High School	16,995
R. D. JONES EXCAVATING	New High School	146,426
ALLIED ENVIRONMENTAL SERV, INC	New High School	17,060
APOLLO CAREER CENTER	Satellite Services	50,000
ALLEN COUNTY ESC	Special Ed Services	156,000
MATERIALS TESTINGS, INC	New High School	49,398
ALEXANDER & BEBOUT, INC	New Locker Room	22,623
R. D. JONES EXCAVATING	New High School	6,044
MICROMAN, INC.	New High School	58,441
VALLEY ELECTRIC	New High School	34,007
NUWAVE TECHNOLOGY, INC	New High School	7,546
MCNERNEY & SONS, INC.	New High School	129,264
TOM SEXTON & ASSOC., INC.	New High School	100,058
FARNHAM EQUIPMENT COMPANY	New High School	6,200
MORTON BUILDINGS, INC	New Locker Room	32,609
THOMPSON CONSTRUCTION CO.	New Locker Room	5,000
LIST INDUSTRIES, INC.	New High School	24,750
PETERS BACKHOE SERVICE	New Locker Room	13,401
SHELDON ON-SITE, INC	New Locker Room	20,000
R A FLYNN & SON, INC	New Locker Room	22,602
SOLLMANN ELECTRIC CO	New High School	6,476
GORDON FOOD SERVICE, INC.	Food Service	8,000
GARMANN/MILLER ASSOCIATES, INC	New High School	85,000
ACI CONSTRUCTION CO INC	New High School	5,518
HOSPITALITY WIFI, LLC	New High School	5,900
AMERICAN EXPRESS	Worker's Comp	52,626
MED-FIT SYSTEMS, INC	New High School	79,988
TREASURER STATE OF OHIO	Audit	20,000
OHIO FARMERS INSURANCE COMPANY	New High School	74,308
CDI COMPUTER DEALERS, INC	New High School	55,480
DAN'S OFFICE FURN. & SUPPLY INC	New High School	16,620
R. D. JONES EXCAVATING	New High School	2,073,000
CNC ELECTRIC - MEMO	New High School	69,950
CDI COMPUTER DEALERS, INC	New High School	12,540
SOLLMANN ELECTRIC CO	New High School	16,092
ACI CONSTRUCTION CO INC	New High School	5,124
NU-WAVE TECHNOLOGY, INC	New High School	10,211
NU-WAVE TECHNOLOGY, INC	New High School	39,843
ALLIED ENVIRONMENTAL SERV, INC	New High School	5,600
CARDINAL BUS SALES & SERVICE	Vans	71,600
PRAIRIE FARMS DAIRY	Food Service	8,734
GARMANN/MILLER ASSOCIATES, INC	New High School	82,480
TOUCHSTONE CPM, INC	New High School	316,614
Total Commitments		<u>\$4,844,767</u>

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

15. 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. 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 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.

16. GROUP INSURANCE PURCHASING POOL

A. Ohio Association of School Business Officials /Sheakley Workers' Compensation Group Rating Plan

The School District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

16. GROUP INSURANCE PURCHASING POOL (Continued)

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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

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, Allied Benefit Systems, 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 Brian Rockhold who serves as chairman, at the Allen County Educational Service Center, 1920 Slabtown Rd, Lima, Ohio 45804.

C. Southwestern Ohio Educational Purchasing Council Insurance Programs (SOEPC)

The School District participates in a public entity shared risk pool of thirty-two school districts. The SOEPC Insurance Program provides for property, fleet and liability insurance coverage. The Program's business and affairs are conducted by an Executive Council of seven participation school administrators. Participation in the Program is by written application subject to acceptance by the Executive Council and the payment of an annual premium. The Administrator of the program is Public Entity Marsh which coordinates the management, administration, claims management, and actuarial studies of the Program. Insurance premiums are paid to the Purchasing Council. Financial information can be obtained from Public Entity Marsh, 525 Vine Street, Cincinnati, Ohio 45202.

17. FUND BALANCE

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

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

17. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Restricted for:				
Debt Service			\$ 546,664	\$ 546,664
Capital Improvements		\$7,842,244	200,644	8,042,888
Food Service			422,629	422,629
Band/Choir Supplies			636	636
Athletics			108,959	108,959
Scholarships			24,691	24,691
Instructional Supplies			2,997	2,997
Facilities/Maintenance			13,072	13,072
School Buses	\$ 40,534			40,534
Unclaimed Money	3,881			3,881
Extracurricular Activities			3,233	3,233
Instructional Improvement			79,782	79,782
Special Needs Students			15,352	15,352
Disadvantage Students			5,855	5,855
Textbooks	321,092			321,092
Total Restricted	365,507	7,842,244	1,424,514	9,632,265
Assigned For:				
Instructional Materials	17,844			17,844
Unpaid Obligations	297,761			297,761
Capital Improvements	39,068			39,068
Textbooks	8,989			8,989
Extracurricular Activities	64,903			64,903
Total Assigned	428,565			428,565
Unassigned	1,993,667			1,993,667
Total Fund Balance	\$2,787,739	\$7,842,244	\$1,424,514	\$12,054,497

18. CONTINGENCIES

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

19. SUBSEQUENT EVENT

On November 8, 2011, Brad A. Settlage was elected to the Elida Local School District Board of Education. His term commences January 1, 2012. Mr. Settlage is employed by American Township as a zoning inspector. Elida Local Schools and American Township are both located in Allen County, Ohio and Elida Local Schools has real property that is located within American Township. The Ohio Attorney General has opined that a person may not serve simultaneously as a township zoning inspector and member of the board of education of a local school district within the same county when real property of the local school district is located within the township. (OAG 2008-022) The Supreme Court of Ohio has held that when an individual accepts a second office which is incompatible with an office already held by the individual, then the original office is deemed abandoned or as having been resigned by the individual. (*State ex rel. Witten v. Ferguson*, 148 Ohio St. 702 (1947)) At present, there is no litigation pending regarding this matter.

ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$5,191		\$5,191
National School Lunch Program	10.555		98,621		98,621
Cash Assistance:					
School Breakfast Program	10.553	\$61,635		\$61,635	
National School Lunch Program	10.555	474,344		474,344	
Special Milk Program for Children	10.556	1,178		1,178	
Total Nutrition Cluster		<u>537,157</u>	<u>103,812</u>	<u>537,157</u>	<u>103,812</u>
Total United States Department of Agriculture		<u>537,157</u>	<u>103,812</u>	<u>537,157</u>	<u>103,812</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title 1 Cluster:					
Title I Grants to Local Educational Agencies	84.010	647,017		584,235	
School Improvement Grant Sub A, Title I	84.010	16,936		11,353	
Total Title 1 Grants to Local Education Agencies		<u>663,953</u>		<u>595,588</u>	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	<u>86,864</u>		<u>43,362</u>	
Total Title I Cluster		750,817		638,950	
Special Education Cluster:					
Special Education Grants to States	84.027	493,981		488,411	
ARRA Special Education Grants to States, Recovery Act	84.391	<u>252,678</u>		<u>306,065</u>	
Total Special Education Cluster		746,659		794,476	
Education Technology State Grants	84.318	1,902		1,902	
Improving Teacher Quality State Grants	84.367	150,455		138,352	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	589,994		589,782	
Education Jobs Fund (Ed Jobs)	84.410	184,345		181,078	
ARRA State Fiscal Stabilization Fund (SFSF) Race to the Top Incentive Grants, Recovery Act	84.395	9,542		10,003	
Total United States Department of Education		<u>2,433,714</u>		<u>2,354,543</u>	
Corporation for National and Community Service					
(Passed through Ohio Department of Education)					
Learn and Serve America - School and Community Based Programs	94.004	40,000		39,993	
Total Federal Financial Assistance		<u>\$3,010,871</u>	<u>\$103,812</u>	<u>\$2,931,693</u>	<u>\$103,812</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2011**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and 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.

NOTE C -- FOOD DONATION PROGRAM

Program regulations do not require the 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 entitlement value of the commodities received.

At June 30, 2011, the District had no significant food commodities in inventory.

NOTE D -- MATCHING REQUIREMENTS

Certain Federal programs require that the School District contribute non-Federal funds (match 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 in the Schedule.



Dave Yost • Auditor of State

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

Elida Local School District
Allen County
4380 Sunnydale Avenue
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 fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 1, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated May 1, 2012.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

May 1, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Elida Local School District (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 could directly and materially affect each of Elida Local School District's major federal programs for the fiscal year ended June 30, 2011. 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.

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

As described in finding 2011-04 in the accompanying schedule of findings, the School District did not comply with requirements regarding *cash management* applicable to its ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-04 to be material weaknesses.

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

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



Dave Yost
Auditor of State

May 1, 2012

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA #10.553, #10.555, and #10.556 Title I Cluster: CFDA #84.010 and #84.389; Special Education Cluster: CFDA #84.027 and #84.391; ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act – CFDA #84.394
(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 2011-01

Material Weakness – Maintaining Adequate Active Deposits for Each Fund

The School District should maintain adequate deposits in each fund to meet the current operating demands. With this in mind, the year-end fund balances reported on the financial statements should relate to the corresponding various bank account or investment account balances at year-end. The School District's Building Fund had designated deposit and investments in accounts with various financial institutions in the amount of \$10,320,081. The balance of these accounts exceeded the \$7,842,244 reported balance in the Building Fund at June 30, 2011 by \$2,477,837. This shortage occurred as the result of the School District recording expenditures in the Building Fund and paying the obligation from the active pooled deposits of other funds instead of liquidating the designated deposits and investments.

The accompanying financial statements have been adjusted to reflect \$2,422,232 and \$55,605 in investments in the General Fund and Other Governmental Funds, respectively, on the balance sheet. A reclassification was also made on the balance sheet to report the escrow account balance in the amount of \$602,224 as "Equity in Pooled Cash and Cash Equivalents with Escrow Agents" instead of "Equity in Pooled Cash and Cash Equivalents."

Failure to maintain sufficient active deposits for each fund could result in active deposits from other funds being utilized to cover the deficiency. This practice could result in the illegal expenditure of restricted money, may potentially create a misstatement of the financial statements by not recognizing this loan as an advance, and results in the requirement to disclose this matter in the notes to the financial statements.

The School District should assess the cash flow needs of the building fund and then liquidate investments in a manner to meet these cash flow requirements. Also, procedures should be established to report the account balances properly on the financial statements.

OFFICIAL'S RESPONSE:

The construction of our new Elida High School has been a fantastic project. The building was on time and under budget. Our portfolio manager did a great job of earning interest income during the project. The project to date has earned over \$2 million dollars in interest income. We would not take a penalty by cashing out an investment early.

FINDING NUMBER 2011-02

Material Weakness – Accuracy of Financial Reporting

The School District should have procedures in place to help assure the proper presentation of financial activity and supplemental information. The School District's compilation had the following errors:

- The Debt Service Fund balance, in the amount of \$546,664, was presented as "Restricted for Other Purposes" instead of "Restricted for Debt Service" on the Statement of Net Assets.
- The balance of the textbook set-aside account, bus purchase account, and unclaimed money fund were reported as Equity in Pooled Cash and Cash Equivalents instead of Restricted Equity in Pooled Cash and Cash Equivalents in both the Governmental Activities on the Statement of Net Assets and in the General Fund on the Statement of Assets and Fund Balances.
- Advances-In and Advances-Out within governmental funds in the amount of \$216,484 was presented on the Statement of Activities.

**FINDING NUMBER 2011-02
(Continued)**

- General Fund encumbrances in the amount of \$297,761 were reported as “Unassigned” fund balance instead of “Assigned” fund balance on the Statement of Assets and Fund Balances.
- The excess balance in the textbook and capital set-aside accounts in the amount of \$48,057 was presented as “Restricted” instead of “Assigned” fund balance on the Statement of Assets and Fund Balances.

The accompanying financial statements have been revised to correct these reporting errors.

The School District should utilize governmental accounting resources, such as GASB implementation guides or those found on the Auditor of State web site, to help improve financial reporting.

OFFICIAL’S RESPONSE:

The District Treasurer compiles the financial statement. This process saves the district approximately \$5,000 annually.

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides 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 Adm. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared 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 according to generally accepted accounting principles to help provide the users with more meaningful financial statements.

OFFICIAL’S RESPONSE:

The District prepares the financial statements on a cash basis. This process saves the District approximately \$13,000 annually. Our District suffers from a loss of state aid and inventory tax. A reporting model will not change that fact.

3. FINDINGS FOR FEDERAL AWARDS

Noncompliance Citation / Material Weakness

Finding Number	2011-04
CFDA Title and Number	ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants, CFDA #84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 80.20 (b)(7) requires that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements.

The School District received advance payments of State Fiscal Stabilization Funds (SFSF) from ODE via the State Foundation Settlement Sheet. The School District accumulated a positive cash balance in the SFSF Fund due to not spending the cash received in a timely manner as follows:

<u>Month</u>	<u>Amount</u>	<u>Month</u>	<u>Amount</u>
July 2010	\$37,954	January 2011	\$112,192
August 2010	75,919	February 2011	118,990
September 2010	98,544	March 2011	136,548
October 2010	89,093	April 2011	137,711
November 2010	95,900	May 2011	204,043
December 2010	107,326	June 2011	76,512

The failure to spend federal grants in a timely manner could result in the School District being required to return funding to the grantor agency. The loss of federal grant money could negatively impact the operations of the School District.

The School District should implement procedures to help assure that grant funds are drawn down only as needed and the balances of federal grant funds are spent in a timely manner.

OFFICIALS' RESPONSE:

This grant was fully expended and within the grant time frame.

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-03	The grant has been fully expended and within the grant time frame.	FY 2012	Joel Parker, Treasurer

**ELIDA LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Errors in the Compilation	No	Partially Corrected – Finding Repeated as 2011-02
2010-02	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as Finding 2011-03
2010-03	Failure to Report a Single Payment in Excess of \$25,000 for ARRA Title I	No	Repeated in the management letter.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

May 1, 2012

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Dave Yost • 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
MAY 24, 2012