



**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual All Governmental Fund Types	7
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance - Proprietary Fund Type and Nonexpendable Trust Funds	10
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual Proprietary Fund Type and Nonexpendable Trust Funds	12
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Funds	14
Notes to the General Purpose Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	45
Notes to the Schedule of Federal Awards Receipts and Expenditures	46
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	47
Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	49
Schedule of Findings	51

This Page Intentionally Left Blank



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements.

We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

December 4, 2001

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDING JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Assets and Other Debits:									
Assets:									
Equity in Pooled Cash and Cash Equivalents	\$4,596,757	\$185,001	\$41	\$78,385	\$9,999	\$32,085	\$0	\$0	\$4,902,268
Cash and Cash Equivalents with Fiscal Agent	0	898	0	0	0	0	0	0	898
Receivables:									
Property Taxes	3,907,519	0	0	0	0	0	0	0	3,907,519
Accounts	0	452	0	0	0	0	0	0	452
Intergovernmental	963	95	0	0	14,189	0	0	0	15,247
Interfund	39,945	0	0	0	0	0	0	0	39,945
Prepaid Items	109,162	311	0	0	1,911	0	0	0	111,384
Inventory Held for Resale	0	0	0	0	11,813	0	0	0	11,813
Materials and Supplies Inventory	64,574	0	0	0	2,399	0	0	0	66,973
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	192,507	0	0	0	0	0	0	0	192,507
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0	67,572	0	4,811,566	0	4,879,138
Other Debits:									
Amount to be Provided from General Governmental Resources	0	0	0	0	0	0	0	651,535	651,535
Total Assets and Other Debits	\$8,911,427	\$186,757	\$41	\$78,385	\$107,883	\$32,085	\$4,811,566	\$651,535	\$14,779,679

(Continued)

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE FISCAL YEAR ENDING JUNE 30, 2001
(Continued)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Liabilities, Fund Equity, and Other Credits:									
Liabilities:									
Accounts Payable	\$45,278	\$1,893	\$0	\$0	\$0	\$0	\$0	\$0	\$47,171
Accrued Wages and Benefits	901,110	9,949	0	0	13,592	0	0	0	924,651
Compensated Absences Payable	27,648	630	0	0	7,124	0	0	589,924	625,326
Intergovernmental Payable	165,002	1,338	0	0	18,758	0	0	61,611	246,709
Interfund Payable	0	0	0	0	39,945	0	0	0	39,945
Deferred Revenue	3,055,890	95	0	0	4,145	0	0	0	3,060,130
Due to Students	0	0	0	0	0	21,808	0	0	21,808
Capital Leases Payable	0	0	0	0	32,521	0	0	0	32,521
Total Liabilities	4,194,928	13,905	0	0	116,085	21,808	0	651,535	4,998,261
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	4,811,566	0	4,811,566
Retained Earnings:									
Unreserved (Deficit)	0	0	0	0	(8,202)	0	0	0	(8,202)
Fund Balance:									
Reserved for Property Taxes	851,629	0	0	0	0	0	0	0	851,629
Reserved for Inventory	64,574	0	0	0	0	0	0	0	64,574
Reserved for Textbooks	30,899	0	0	0	0	0	0	0	30,899
Reserved for Capital Improvements	114,839	0	0	0	0	0	0	0	114,839
Reserved for Budget Stabilization	43,110	0	0	0	0	0	0	0	43,110
Reserved for Bus Purchase	3,659	0	0	0	0	0	0	0	3,659
Reserved for Contributions	0	0	0	0	0	10,000	0	0	10,000
Reserved for Encumbrances	188,047	15,431	41	4,848	0	0	0	0	208,367
Unreserved	3,419,742	157,421	0	73,537	0	277	0	0	3,650,977
Total Fund Equity (Deficit) and Other Credits	4,716,499	172,852	41	78,385	(8,202)	10,277	4,811,566	0	9,781,418
Total Liabilities, Fund Equity, and Other Credits	\$8,911,427	\$186,757	\$41	\$78,385	\$107,883	\$32,085	\$4,811,566	\$651,535	\$14,779,679

See Accompanying Notes to the General Purpose Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Property Taxes	\$3,874,723	\$0	\$0	\$0	\$3,874,723
Intergovernmental	4,666,072	392,197	0	60,000	5,118,269
Interest	310,296	2,379	0	1,728	314,403
Tuition and Fees	440,889	0	0	0	440,889
Extracurricular Activities	10,290	99,392	0	0	109,682
Gifts and Donations	0	24,270	0	0	24,270
Miscellaneous	117,599	13,910	0	0	131,509
Total Revenues	<u>9,419,869</u>	<u>532,148</u>	<u>0</u>	<u>61,728</u>	<u>10,013,745</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,874,635	132,013	0	8,091	5,014,739
Special	410,447	114,205	0	0	524,652
Vocational	256,091	0	0	0	256,091
Adult/Continuing	0	3,309	0	0	3,309
Other	4,097	0	0	0	4,097
Support Services:					
Pupils	253,545	122,946	0	0	376,491
Instructional Staff	266,264	35,139	0	0	301,403
Board of Education	16,674	0	0	0	16,674
Administration	947,340	17,787	0	0	965,127
Fiscal	282,188	2,034	0	0	284,222
Business	0	3,274	0	0	3,274
Operation and Maintenance of Plant	982,553	2,064	0	0	984,617
Pupil Transportation	656,494	738	0	0	657,232
Non-Instructional Services	0	2,450	0	0	2,450
Extracurricular Activities	128,434	113,656	0	0	242,090
Capital Outlay	0	0	0	46,466	46,466
Total Expenditures	<u>9,078,762</u>	<u>549,615</u>	<u>0</u>	<u>54,557</u>	<u>9,682,934</u>
Excess of Revenues Over (Under) Expenditures	<u>341,107</u>	<u>(17,467)</u>	<u>0</u>	<u>7,171</u>	<u>330,811</u>
Other Financing Sources (Uses):					
Operating Transfers In	5,151	36,500	0	0	41,651
Operating Transfers Out	<u>(36,500)</u>	<u>(5,151)</u>	<u>0</u>	<u>0</u>	<u>(41,651)</u>
Total Other Financing Sources (Uses)	<u>(31,349)</u>	<u>31,349</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	309,758	13,882	0	7,171	330,811
Fund Balances at Beginning of Year - Restated Note 4	4,396,702	158,970	41	71,214	4,626,927
Increase in Reserve for Inventory	10,039	0	0	0	10,039
Fund Balances at End of Year	<u>\$4,716,499</u>	<u>\$172,852</u>	<u>\$41</u>	<u>\$78,385</u>	<u>\$4,967,777</u>

See Accompanying Notes to the General Purpose Financial Statements

This Page Intentionally Left Blank

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$3,998,298	\$3,882,416	(\$115,882)	\$0	\$0	\$0
Intergovernmental	4,664,106	4,666,673	2,567	406,054	407,931	1,877
Interest	315,000	310,296	(4,704)	2,285	2,379	94
Tuition and Fees	432,354	441,098	8,744	0	0	0
Extracurricular Activities	10,000	10,290	290	93,050	99,886	6,836
Gifts and Donations	0	0	0	26,480	24,270	(2,210)
Miscellaneous	79,100	95,539	16,439	10,200	14,125	3,925
Total Revenues	9,498,858	9,406,312	(92,546)	538,069	548,591	10,522
Expenditures:						
Current:						
Instruction:						
Regular	4,932,220	4,893,088	39,132	151,033	135,241	15,792
Special	431,711	402,981	28,730	136,896	125,915	10,981
Vocational	267,668	247,264	20,404	0	0	0
Adult/Continuing	0	0	0	19,601	6,116	13,485
Other	22,500	9,097	13,403	0	0	0
Support Services:						
Pupils	291,383	263,073	28,310	128,689	123,536	5,153
Instructional Staff	275,712	266,849	8,863	28,690	28,330	360
Board of Education	20,080	15,366	4,714	0	0	0
Administration	1,017,586	959,012	58,574	18,192	17,248	944
Fiscal	291,211	288,212	2,999	2,037	2,037	0
Business	0	0	0	3,274	3,274	0
Operation and Maintenance of Plant	1,256,672	1,213,636	43,036	2,074	2,074	0
Pupil Transportation	690,057	667,230	22,827	0	0	0
Non-Instructional Services	0	0	0	2,700	2,450	250
Extracurricular Activities	138,150	128,220	9,930	127,353	111,738	15,615
Capital Outlay	2,700	0	2,700	0	0	0
Debt Service:						
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	9,637,650	9,354,028	283,622	620,539	557,959	62,580
Excess of Revenues Over (Under) Expenditures	(138,792)	52,284	191,076	(82,470)	(9,368)	73,102
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	40,000	57,135	17,135	0	0	0
Operating Transfers In	0	5,151	5,151	36,500	36,500	0
Operating Transfers Out	(42,500)	(36,500)	6,000	0	(5,151)	(5,151)
Advances In	4,949	17,296	12,347	0	90	90
Advances Out	(40,100)	(40,035)	65	0	(17,296)	(17,296)
Total Other Financing Sources (Uses)	(37,651)	3,047	40,698	36,500	14,143	(22,357)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(176,443)	55,331	231,774	(45,970)	4,775	50,745
Fund Balances at Beginning of Year	4,053,639	4,053,639	0	155,441	155,441	0
Prior Year Encumbrances Appropriated	320,026	320,026	0	7,463	7,463	0
Fund Balances at End of Year	<u>\$4,197,222</u>	<u>\$4,428,996</u>	<u>\$231,774</u>	<u>\$116,934</u>	<u>\$167,679</u>	<u>\$50,745</u>

(Continued)

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	Debt Service Fund			Capital Project Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	60,000	60,000	0
Interest	0	0	0	2,000	1,728	(272)
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	0	0	0	62,000	61,728	(272)
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	66,210	54,557	11,653
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	5,005	4,848	157
Pupil Transportation	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Interest and Fiscal Charges	41	41	0	0	0	0
Total Expenditures	41	41	0	71,215	59,405	11,810
Excess of Revenues Over (Under) Expenditures	(41)	(41)	0	(9,215)	2,323	11,538
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(41)	(41)	0	(9,215)	2,323	11,538
Fund Balances at Beginning of Year	0	0	0	71,214	71,214	0
Prior Year Encumbrances Appropriated	41	41	0	0	0	0
Fund Balances at End of Year	\$0	\$0	\$0	\$61,999	\$73,537	\$11,538

See Accompanying Notes to the General Purpose Financial Statements

Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
\$3,998,298	\$3,882,416	(\$115,882)
5,130,160	5,134,604	4,444
319,285	314,403	(4,882)
432,354	441,098	8,744
103,050	110,176	7,126
26,480	24,270	(2,210)
89,300	109,664	20,364
<u>10,098,927</u>	<u>10,016,631</u>	<u>(82,296)</u>
5,149,463	5,082,886	66,577
568,607	528,896	39,711
267,668	247,264	20,404
19,601	6,116	13,485
22,500	9,097	13,403
420,072	386,609	33,463
304,402	295,179	9,223
20,080	15,366	4,714
1,035,778	976,260	59,518
293,248	290,249	2,999
3,274	3,274	0
1,263,751	1,220,558	43,193
690,057	667,230	22,827
2,700	2,450	250
265,503	239,958	25,545
2,700	0	2,700
41	41	0
<u>10,329,445</u>	<u>9,971,433</u>	<u>358,012</u>
(230,518)	45,198	275,716
40,000	57,135	17,135
36,500	41,651	5,151
(42,500)	(41,651)	849
4,949	17,386	12,437
<u>(40,100)</u>	<u>(57,331)</u>	<u>(17,231)</u>
<u>(1,151)</u>	<u>17,190</u>	<u>18,341</u>
(231,669)	62,388	294,057
4,280,294	4,280,294	0
327,530	327,530	0
<u>\$4,376,155</u>	<u>\$4,670,212</u>	<u>\$294,057</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$330,421	\$0	\$330,421
Interest	0	603	603
Other Operating Revenues	9,263	0	9,263
Total Operating Revenues	<u>339,684</u>	<u>603</u>	<u>340,287</u>
Operating Expenses:			
Salaries	57,996	0	57,996
Fringe Benefits	48,461	0	48,461
Purchased Services	192,474	0	192,474
Cost of Sales	213,285	0	213,285
Depreciation	4,404	0	4,404
Other Operating Expenses	0	2,914	2,914
Total Operating Expenses	<u>516,620</u>	<u>2,914</u>	<u>519,534</u>
Operating Loss	<u>(176,936)</u>	<u>(2,311)</u>	<u>(179,247)</u>
Non-Operating Revenues (Expenses):			
Federal Donated Commodities	39,573	0	39,573
Operating Grants	116,732	0	116,732
Interest Revenue	457	0	457
Interest Expense	(4,984)	0	(4,984)
Loss on Disposal of Fixed Assets	(647)	0	(647)
Total Non-Operating Revenues (Expenses)	<u>151,131</u>	<u>0</u>	<u>151,131</u>
Net Loss	(25,805)	(2,311)	(28,116)
Retained Earnings/Fund Balance at Beginning of Year	<u>17,603</u>	<u>12,588</u>	<u>30,191</u>
Retained Earnings (Deficit)/Fund Balance at End of Year	<u><u>(\$8,202)</u></u>	<u><u>\$10,277</u></u>	<u><u>\$2,075</u></u>

See Accompanying Notes to the General Purpose Financial Statements

This Page Intentionally Left Blank

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

	Enterprise Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Sales	\$324,650	\$330,436	\$5,786
Interest	1,000	457	(543)
Other Revenues	15,000	9,263	(5,737)
Operating Grants	126,000	104,149	(21,851)
Total Revenues	466,650	444,305	(22,345)
Expenses:			
Salaries	56,623	56,623	0
Fringe Benefits	41,489	41,489	0
Purchased Services	393,289	393,289	0
Other Expenses	0	0	0
Total Expenses	491,401	491,401	0
Excess of Revenues Under Expenses	(24,751)	(47,096)	(22,345)
Advances In	0	39,945	(39,945)
Excess of Revenues Under Expenses and Advances	(24,751)	(7,151)	(62,290)
Fund Balances at Beginning of Year	6,852	6,852	0
Prior Year Encumbrances Appropriated	300	300	0
Fund Balances (Deficit) at End of Year	(\$17,599)	\$1	(\$62,290)

See Accompanying Notes to the General Purpose Financial Statements

Non-Expendable Trust Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$324,650	\$330,436	\$5,786
600	603	3	1,600	1,060	(540)
0	0	0	15,000	9,263	(5,737)
0	0	0	126,000	104,149	(21,851)
<u>600</u>	<u>603</u>	<u>3</u>	<u>467,250</u>	<u>444,908</u>	<u>(22,342)</u>
0	0	0	56,623	56,623	0
0	0	0	41,489	41,489	0
0	0	0	393,289	393,289	0
2,914	2,914	0	2,914	2,914	0
<u>2,914</u>	<u>2,914</u>	<u>0</u>	<u>494,315</u>	<u>494,315</u>	<u>0</u>
(2,314)	(2,311)	3	(27,065)	(49,407)	(22,342)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,945</u>	<u>(39,945)</u>
(2,314)	(2,311)	3	(27,065)	(9,462)	(62,287)
10,174	10,174	0	17,026	17,026	0
2,414	2,414	0	2,714	2,714	0
<u>\$10,274</u>	<u>\$10,277</u>	<u>\$3</u>	<u>(\$7,325)</u>	<u>\$10,278</u>	<u>(\$62,287)</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$330,436	\$0	\$330,436
Cash Received from Other Revenues	9,263	0	9,263
Cash Payments for Salaries	(56,623)	0	(56,623)
Cash Payments for Fringe Benefits	(41,489)	0	(41,489)
Cash Payments for Goods and Services	(369,177)	0	(369,177)
Cash Payments for Other Expenses	0	(2,914)	(2,914)
Net Cash Used for Operating Activities	<u>(127,590)</u>	<u>(2,914)</u>	<u>(130,504)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	104,149	0	104,149
Cash Received from Advances In	39,945	0	39,945
Net Cash Provided by Noncapital Financing Activities	<u>144,094</u>	<u>0</u>	<u>144,094</u>
Cash Flows from Capital and Related Financing Activities:			
Cash Payments for Fixed Assets	(899)	0	(899)
Cash Payments for Lease Principal	(8,231)	0	(8,231)
Cash Payments for Lease Interest	(4,984)	0	(4,984)
Net Cash Used for Capital and Related Financing Activities	<u>(14,114)</u>	<u>0</u>	<u>(14,114)</u>
Cash Flows from Investing Activities:			
Cash Received from Interest	<u>457</u>	<u>603</u>	<u>1,060</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,847	(2,311)	536
Cash and Cash Equivalents at Beginning of Year	7,152	12,588	19,740
Cash and Cash Equivalents at End of Year	<u>\$9,999</u>	<u>\$10,277</u>	<u>\$20,276</u>

(Continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	(\$176,936)	(\$2,311)	(\$179,247)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	4,404	0	4,404
Donated Commodities Used During Year	39,573	0	39,573
Interest Reported as Operating Income	0	(603)	(603)
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	15	0	15
Increase in Prepaid Items	(349)	0	(349)
Increase in Inventory Held for Resale	(3,105)	0	(3,105)
Decrease in Materials and Supplies Inventory	114	0	114
Increase in Accrued Wages and Benefits	1,529	0	1,529
Increase in Compensated Absences Payable	540	0	540
Increase in Intergovernmental Payable	6,625	0	6,625
Net Cash Used for Operating Activities	(\$127,590)	(\$2,914)	(\$130,504)

Reconciliation of Non-Expendable Trust Funds Cash and Cash Equivalents to Balance Sheet:

All Fiduciary Fund Types	\$32,085
Less Agency Funds	(21,808)
Cash and Cash Equivalents-Non-Expendable Trust Funds	\$10,277

See Accompanying Notes to the General Purpose Financial Statements

This Page Intentionally Left Blank

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1960. The School District serves an area of approximately one hundred sixty-four square miles. It is located in Delaware, Hardin, and Marion Counties. The School District is the 348th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifty classified employees, one hundred eight certified teaching personnel, and eight administrative employees who provide services to 1,704 students and other community members. The School District currently operates two elementary schools, a junior high school, a high school, and an administration building.

Reporting Entity

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

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

The School District is associated with five jointly governed organizations and an insurance pool. These organizations are the Tri-Rivers Educational Computer Association (TRECA), Tri-Rivers Joint Vocational School, North Central Ohio Special Education Regional Resource Center, Northwestern Ohio Educational Research Council, Inc., North Central Regional Professional Development Center and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Governmental Fund Types (Continued)

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

Proprietary Fund Type

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

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

Fiduciary Fund Types

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

Account Groups

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund type and non-expendable trust funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund type and non-expendable trust funds.

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

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

C. Budgetary Process

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

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

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

The Early Childhood Preschool and Library Grant special revenue funds are flow through grants in which the North Central Ohio Educational Service Center and Pleasant Local School District are the primary recipients. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Tax Budget (Continued)

By no later than January 20, the Board-adopted budget is filed with the Marion County Budget Commission for rate determination.

Estimated Resources

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

Appropriations

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

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds and funds held by the North Central Ohio Educational Service Center, consistent with statutory provisions.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the proprietary fund type and non-expendable trust funds.

Lapsing of Appropriations

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

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents held for the School District by the North Central Ohio Educational Service Center are included on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2001, investments were limited to 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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 was \$310,296, which included \$15,651 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Items

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

F. Inventory

Inventory in the governmental funds is stated at cost while inventory in the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the proprietary fund consists of donated and purchased food and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for the purchase of textbooks and other instructional materials, the acquisition and construction of capital improvements, and to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two hundred fifty dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these obligations made more than sixty days after fiscal year end are considered not to have used current available expendable resources.

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

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventories of materials and supplies, textbooks, capital improvements, budget stabilization, bus purchase, contributions, and encumbrances.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies legal restrictions on the use of principal in the non-expendable trust funds.

M. Interfund Transactions

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

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

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

3. CHANGE IN ACCOUNTING PRINCIPLES

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

4. RESTATEMENT OF PRIOR YEAR FUND EQUITY

The restatement for GASB Statements No. 33 and No. 36 had the following effect on fund balance as previously reported as of June 30, 2000.

	General	Special Revenue
Fund Balance as Previously Reported	\$4,411,463	\$146,394
Intergovernmental Receivable	0	12,576
Deferred Revenue	(14,761)	0
Restated Fund Balance at June 30, 2000	\$4,396,702	\$158,970

The restatement had no material effect on the excess of revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the fiscal year ended June 30, 2000.

5. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Education Management Information Systems, SchoolNet Professional Development, and Reducing Class Size special revenue funds had deficit fund balances, in the amount of \$1,765, \$15, and \$3,008, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Food Service enterprise fund had deficit retained earnings of \$8,202 at June 30, 2001, due to operating expenses exceeding the charges for meals and federal and state subsidies received to support those operations.

B. Compliance

The Education Management Information Systems special revenue fund and Food Service enterprise fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001, in the amount of \$1,997 and \$17,299, respectively.

The Education Management Information Systems special revenue fund operating transfers out account had expenditures in excess of appropriations for the fiscal year ended June 30, 2001, in the amount of \$5,151.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

6. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Non-Expendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type and non-expendable trust funds (GAAP basis).
4. For the proprietary fund, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Although not part of the appropriated budget, the Early Childhood Preschool and Library Grant special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$309,758	\$13,882	\$0	\$7,171
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	896,120	25,534	0	0
Accrued FY 2001, Not Yet Received in Cash	(852,592)	(452)	0	0
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(1,040,873)	(18,267)	0	0
Accrued FY 2001, Not Yet Paid in Cash	1,139,038	13,810	0	0
Cash Adjustments:				
Unrecorded Activity FY 2000	50	0	0	0
Prepaid Items	(13,163)	4,591	0	0
Advances In	17,296	90	0	0
Advances Out	(40,035)	(17,296)	0	0
Excess of Revenues Under Expenditures for Nonbudgeted Funds	0	205	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(360,268)	(17,322)	(41)	(4,848)
Budget Basis	<u>\$55,331</u>	<u>\$4,775</u>	<u>(\$41)</u>	<u>\$2,323</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Net Loss/Excess of Revenues Under Expenses and
Advances
Enterprise Fund**

GAAP Basis	(\$25,805)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	1,621
Accrued FY 2001, Not Yet Received in Cash	(14,189)
Expense Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(30,780)
Accrued FY 2001, Not Yet Paid in Cash	39,474
Prepaid Items	(349)
Inventory Held for Resale	(3,105)
Materials and Supplies Inventory	114
Acquisition of Fixed Assets	(899)
Lease Principal Retirement	(8,231)
Depreciation Expense	4,404
Loss on Disposal of Fixed Assets	647
Advances In	39,945
Encumbrances Outstanding at Year End (Budget Basis)	(9,998)
Budget Basis	(\$7,151)

7. DEPOSITS AND INVESTMENTS

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

7. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

7. DEPOSITS AND INVESTMENTS (Continued)

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

At fiscal year end, the School District had \$210 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents". The School District also had \$898 in cash and cash equivalents held by the North Central Ohio Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No.3.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was (\$38,190) and the bank balance was \$68,027. The entire bank balance was covered by federal depository insurance

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$5,132,755.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

7. DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,095,673	\$0
Cash on Hand	(210)	0
Cash and Cash Equivalents with Fiscal Agent	(898)	0
Investments:		
STAR Ohio	(5,132,755)	5,132,755
GASB Statement No. 3	(\$38,190)	\$5,132,755

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

8. PROPERTY TAXES (Continued)

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$851,629 in the General Fund. The amount available as an advance at June 30, 2000, was \$859,322 in the General Fund.

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

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$75,783,830	55.95%	\$77,750,730	56.66 %
Industrial/Commercial	15,399,610	11.37	15,417,500	11.24
Public Utility	11,177,280	8.25	11,830,860	8.62
Tangible Personal	33,095,960	24.43	32,215,540	23.48
Total Assessed Value	<u>\$135,456,680</u>	<u>100.00%</u>	<u>\$137,214,630</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$38.60		\$38.30	

9. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (student fees and billings for user charged services), intergovernmental, and interfund receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards. Accounts receivable at June 30 were \$452.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

9. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Auditor of State	\$163
Marion Technical College	800
Total General Fund	963
Special Revenue Funds	
County Teacher Grant	95
Total Special Revenue Funds	95
Enterprise Fund	
Food Service	14,189
Total Intergovernmental Receivables	\$15,247

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$161,199
Less Accumulated Depreciation	(93,627)
Net Fixed Assets	\$67,572

For fiscal year 2001, the School District will no longer be capitalizing textbooks. Amounts previously recorded as fixed assets are reflected as reductions for fiscal year 2001. A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Land and Improvements	\$121,467	\$0	\$0	\$121,467
Buildings and Improvements	1,062,584	0	0	1,062,584
Furniture, Fixtures, and Equipment	2,231,266	295,311	62,297	2,464,280
Textbooks	556,137	0	556,137	0
Vehicles	1,081,413	152,022	70,200	1,163,235
Totals	\$5,052,867	\$447,333	\$688,634	\$4,811,566

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2001, the General Fund had an interfund receivable and the Food Service enterprise fund had an interfund payable, in the amount of \$39,945.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted for the following insurance coverages.

Coverages provided by Nationwide Insurance are as follows:

Automobile Liability	\$2,000,000
Uninsured Motorists	2,000,000
Comprehensive (\$100 deductible)	
Collision (\$250 deductible)	
Medical Payments - per person	5,000
General Liability	
Per Occurrence	2,000,000
Total Per Year	5,000,000
Fire Damage	100,000
Medical Expense	5,000

Coverages provided by Indiana Insurance are as follows:

Building and Contents/Boiler and Machinery (\$3,000 deductible)	21,922,958
Inland Marine Coverage (\$100 deductible - all but mechanical breakdown) (\$1,000 deductible - mechanical breakdown)	240,616

Coverages provided by Peerless Insurance are as follows:

Public Employee Dishonesty Bond	10,000
---------------------------------	--------

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

12. RISK MANAGEMENT (Continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$436,627, \$269,532, and \$248,882, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$74,013, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

13. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$42,917, \$45,560, and \$65,992, respectively; 42 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$24,854, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2001, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$206,823.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

14. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$121,920 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

The School District offers health and dental insurance to most employees through Medical Mutual of Ohio. In addition, the School District offers life insurance through Medical Life Insurance Company. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
General Long-Term Obligations				
Compensated Absences Payable	\$559,980	\$29,944	\$0	\$589,924
Intergovernmental Payable	76,294	61,611	76,294	61,611
Total General Long-Term Obligations	<u>636,274</u>	<u>91,555</u>	<u>76,294</u>	<u>651,535</u>
Enterprise Fund Obligations				
Capital Leases Payable	40,752	0	8,231	32,521
Total Long-Term Obligations	<u><u>\$677,026</u></u>	<u><u>\$91,555</u></u>	<u><u>\$84,525</u></u>	<u><u>\$684,056</u></u>

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

Capital leases will be paid from the Food Service enterprise fund.

The School District's overall debt margin was \$12,349,317 with an unvoted debt margin of \$137,215 at June 30, 2001.

17. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as a reduction of the liability in the enterprise fund. Fixed assets consisting of equipment have been capitalized in the Food Service enterprise fund, in the amount of \$47,902. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the enterprise fund. Principal payments in 2001 were \$8,231 in the enterprise fund.

Property under Capital Lease	\$47,902
Less Accumulated Depreciation	(4,591)
Balance June 30, 2001	<u><u>\$43,311</u></u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

17. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	Enterprise
2002	\$12,481
2003	13,215
2004	13,215
2005	735
Subtotal	39,646
Less Amount Representing Interest	(7,125)
Present Value of Minimum Lease Payments	\$32,521

18. 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 year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Textbooks	Capital Improvement	Budget Stabilization
Balance June 30, 2000	\$44,342	\$90,112	\$108,018
Current Year Set Aside Requirement	206,722	206,722	0
Legislative Reduction	0	0	(64,908)
Qualifying Expenditures	(220,165)	(181,995)	0
Balance June 30, 2001	\$30,899	\$114,839	\$43,110

The total reserve balance for the set asides at the end of the fiscal year was \$188,848.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

19. JOINTLY GOVERNED ORGANIZATIONS

A. Tri-Rivers Educational Computer Association

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

B. Tri-Rivers Joint Vocational School

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

C. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-six member board including the superintendent from the participating school districts. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Patricia Lyons, Knox County Educational Service Center, 106 East High Street, Mt. Vernon, Ohio 43050.

D. Northwestern Ohio Educational Research Council, Inc.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Eileen Lemaster, Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

20. INSURANCE POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

21. CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

22. STATE SCHOOL FUNDING DECISION

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

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

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

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor Program Title</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$37,318	\$0	\$36,921
School Breakfast Program	48413 05-PU 2001	10.553	4,021	0	4,021	0
National School Lunch Program	48413 LL-P1/P4 00/01	10.555	88,989	0	88,989	0
Summer Food Service for Children	48413 23/24-PU 2000	10.559	6,967	0	6,967	0
Total U.S. Department of Agriculture - Nutrition Cluster			99,977	37,318	99,977	36,921
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	48413 6B-SF 2001	84.027	132,483	0	127,095	0
Safe and Drug Free Schools & Communities State Grants	48413 DR-S1-2000	84.186	0	0	614	0
	48413 DR-S1-2001		7,123	0	7,050	0
Total Safe and Drug-Free Schools and Communities - State Grants			7,123	0	7,664	0
Title I Grants to Local Educational Agencies	48413 C1-S1 2000	84.010	21,955	0	22,350	0
	48413 C1-S1 2001		96,206	0	84,858	0
Total Title I Grants to Local Educational Agencies			118,161	0	107,208	0
Innovative Educational Program Strategies	48413 C2-S1 1999	84.298	0	0	1,424	0
	48413 C2-S1 2001		8,501	0	6,149	0
Total Innovative Educational Program Strategies			8,501	0	7,573	0
Eisenhower Professional Development State Grants	48413 MS-S1 1999	84.281			172	
	48413 MS-S1 2000		0	0	110	0
	48413 MS-S1 2001		5,764	0	3,343	0
Total Eisenhower Professional Development State Grants			5,764	0	3,625	0
Reducing Class Size	48413 CR-S1 2000	84.340	0	0	3,459	0
	48413 CR-S1 2001		24,802	0	22,913	0
Total Reducing Class Size			24,802	0	26,372	0
Total U.S Department of Education			296,834	0	279,537	0
Total Federal Awards			\$396,811	\$37,318	\$379,514	\$36,921

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the general purpose financial statements of Elgin Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 4, 2001. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 4, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 4, 2001.

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

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

JIM PETRO
Auditor of State

December 4, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

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

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 4, 2001.

Internal Control Over Compliance

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

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

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

JIM PETRO
Auditor of State

December 4, 2001

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster - (CFDA # 10.550 - Food Distribution, CFDA # 10.555 - National School Lunch Program, CFDA #10.553 - School Breakfast program, and CFDA # 10.559 - Summer Food Service Program for Children)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ELGIN LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 3, 2002**