

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

***FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

NANCY KUHLMAN, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

We have reviewed the *Independent Auditor's Report* of the Elmwood Local School District, Wood County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Elmwood Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 5, 2007

This Page is Intentionally Left Blank.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor's Report.....	1 - 2
Combined Statement of Fund Balances - All Fund Types - Cash Basis - June 30, 2007	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types For The Fiscal Year Ended June 30, 2007	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary Fund Type and Similar Fiduciary Fund Types - For The Fiscal Year Ended June 30, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Fiscal Year Ended June 30, 2007	6
Notes to the Financial Statements.....	7 - 29
Schedule of Receipts and Expenditures of Federal Awards	30
Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	31 - 32
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> ...	33 - 34
Schedule of Findings and Responses <i>OMB Circular A-133 § .505</i>	35 - 36
Status of Prior Audit Findings <i>OMB Circular A-133 § .505</i>	37

This Page is Intentionally Left Blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

We have audited the accompanying financial statements of the Elmwood Local School District, Wood County, (the "District") as of and for the fiscal year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 the 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.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as described in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements do not present fairly, the financial position and results of operations of the Elmwood Local School District, Wood County, as of June 30, 2007, in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007, 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, grant agreements and other matters. 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 assessing the results of our audit. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.

Independent Auditor's Report
Elmwood Local School District
Page Two

We conducted our audit to opine on the District's financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, for reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2007, or its changes in financial position. Therefore we are unable to express, and we do not express, an opinion on the Schedule of Receipts and Expenditures of Federal Awards.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
September 21, 2007

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF FUND BALANCES
ALL FUND TYPES - CASH BASIS
JUNE 30, 2007

<u>Cash and Cash Equivalents</u>	<u>2007</u>
Cash and Cash Equivalents	\$ 6,817,858
Total Cash and Cash Equivalents	<u>\$ 6,817,858</u>
 <u>Cash Fund Balances</u>	
<u>Governmental Fund Types:</u>	
General	\$ 5,325,830
Special Revenue	582,535
Debt Service	213,284
Capital Projects	<u>519,099</u>
Total Governmental Fund Types	<u>6,640,748</u>
 <u>Proprietary Fund Type:</u>	
Enterprise	<u>30,094</u>
 <u>Fiduciary Fund Types:</u>	
Private Purpose Trust	68,366
Agency	<u>78,650</u>
Total Fiduciary Fund Types	<u>147,016</u>
Total Cash Fund Balances	<u>\$ 6,817,858</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
From local sources:					
Taxes	\$ 3,496,017	\$ 38,037	\$ 168,441	\$ -	\$ 3,702,495
Earnings on investments	383,374	-	-	-	383,374
Extracurricular activities	360	160,002	-	-	160,362
Classroom materials and fees	6,098	-	-	-	6,098
Tuition	144,654	17,104	-	-	161,758
Intergovernmental - state	6,085,931	246,391	22,983	-	6,355,305
Intergovernmental - federal	-	438,590	-	-	438,590
Miscellaneous	13,739	23,065	-	-	36,804
Total cash receipts	<u>10,130,173</u>	<u>923,189</u>	<u>191,424</u>	<u>-</u>	<u>11,244,786</u>
Cash disbursements:					
Current:					
Instruction:					
Regular	4,762,874	183,934	-	-	4,946,808
Special	810,626	431,151	-	-	1,241,777
Vocational	281,754	-	-	-	281,754
Other	27,930	-	-	-	27,930
Support Services:					
Pupil	374,863	16,096	-	-	390,959
Instructional staff	466,455	36,539	-	-	502,994
Board of Education	92,639	-	-	-	92,639
Administration	734,636	12,633	-	-	747,269
Fiscal services	250,947	7,878	2,720	-	261,545
Business	12,869	-	-	-	12,869
Operations and maintenance	1,272,429	8,872	-	-	1,281,301
Pupil transportation	582,421	9,223	-	-	591,644
Central	52,999	9,000	-	-	61,999
Non-Instructional services	1,760	17,190	-	-	18,950
Extracurricular activities	291,939	150,977	-	-	442,916
Debt service:					
Principal retirement	-	-	190,000	-	190,000
Interest and fiscal charges	-	-	162,135	-	162,135
Total cash disbursements	<u>10,017,141</u>	<u>883,493</u>	<u>354,855</u>	<u>-</u>	<u>11,255,489</u>
Total cash receipts over/ (under) cash disbursements	<u>113,032</u>	<u>39,696</u>	<u>(163,431)</u>	<u>-</u>	<u>(10,703)</u>
Other financing receipts/(disbursements):					
Advances-in	44,936	-	-	-	44,936
Advances-out	(10,000)	(10,605)	-	-	(20,605)
Refund of prior year expenditures	3,862	-	-	-	3,862
Total other financing receipts/(disbursements)	<u>38,798</u>	<u>(10,605)</u>	<u>-</u>	<u>-</u>	<u>28,193</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	151,830	29,091	(163,431)	-	17,490
Cash fund balances, July 1, 2006	<u>5,174,000</u>	<u>553,444</u>	<u>376,715</u>	<u>519,099</u>	<u>6,623,258</u>
Cash fund balances, June 30, 2007	<u>\$ 5,325,830</u>	<u>\$ 582,535</u>	<u>\$ 213,284</u>	<u>\$ 519,099</u>	<u>\$ 6,640,748</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Proprietary Fund Type	Fiduciary Fund Types		Total
	Enterprise	Private Purpose Trust	Agency	(Memorandum Only)
Operating cash receipts:				
Sales/charges for services	\$ 410,497	\$ -	\$ -	\$ 410,497
Extracurricular activities	-	-	163,105	163,105
Total operating cash receipts	<u>410,497</u>	<u>-</u>	<u>163,105</u>	<u>573,602</u>
Operating cash disbursements:				
Personal services	147,660	-	-	147,660
Employees' retirement and insurance	85,493	-	-	85,493
Purchased services	4,830	-	26,823	31,653
Supplies and material	289,498	-	128,489	417,987
Capital outlay	995	-	-	995
Other	241	11,370	8,207	19,818
Total operating cash disbursements	<u>528,717</u>	<u>11,370</u>	<u>163,519</u>	<u>703,606</u>
Operating (loss)	<u>(118,220)</u>	<u>(11,370)</u>	<u>(414)</u>	<u>(130,004)</u>
Nonoperating cash receipts:				
Interest income	-	5,521	-	5,521
Federal sources	127,427	-	-	127,427
State sources	4,040	-	-	4,040
Other	1,260	22,500	2,283	26,043
Total nonoperating cash receipts	<u>132,727</u>	<u>28,021</u>	<u>2,283</u>	<u>163,031</u>
Excess of receipts over disbursements before interfund advances	<u>14,507</u>	<u>16,651</u>	<u>1,869</u>	<u>33,027</u>
Advances-in	10,000	-	-	10,000
Advances-out	<u>(34,331)</u>	<u>-</u>	<u>-</u>	<u>(34,331)</u>
Net income/(loss)	(9,824)	16,651	1,869	8,696
Cash fund balances, July 1, 2006 (Restated)	<u>39,918</u>	<u>51,715</u>	<u>76,781</u>	<u>168,414</u>
Cash fund balances, June 30, 2007	<u>\$ 30,094</u>	<u>\$ 68,366</u>	<u>\$ 78,650</u>	<u>\$ 177,110</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND ENCUMBRANCES COMPARED WITH EXPENDITURE
AUTHORITY - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	2007 Estimated Receipts	Total Estimated Resources	Actual 2007 Receipts	Variance Favorable (Unfavorable)	(Restated) Prior Year Carryover Appropriations	Fiscal Year 2007 Appropriations	Total	Actual 2007 Disbursements	Encumbrances Outstanding at 6/30/07	Total	Variance Favorable (Unfavorable)
	Governmental:											
General	\$ 4,927,733	\$ 9,451,061	\$ 14,378,794	\$ 10,178,971	\$ 727,910	\$ 246,267	\$ 11,142,398	\$ 11,388,665	\$ 10,027,141	\$ 214,233	\$ 10,241,374	\$ 1,147,291
Special Revenue	492,787	664,795	1,157,582	923,189	258,394	60,657	1,204,581	1,265,238	894,098	41,321	935,419	329,819
Debt Service	376,715	246,739	623,454	191,424	(55,315)	-	363,761	363,761	354,855	-	354,855	8,906
Capital Projects	84,091	385,676	469,767	-	(385,676)	435,008	95,071	530,079	-	435,008	435,008	95,071
Proprietary:												
Enterprise	39,318	599,793	639,111	553,224	(46,569)	600	618,438	619,038	563,048	11,465	574,513	44,525
Fiduciary:												
Private Purpose Trust	51,715	24,806	76,521	28,021	3,215	-	31,870	31,870	11,370	-	11,370	20,500
Total (Memorandum Only)	<u>\$ 5,972,359</u>	<u>\$ 11,372,870</u>	<u>\$ 17,345,229</u>	<u>\$ 11,874,829</u>	<u>\$ 501,959</u>	<u>\$ 742,532</u>	<u>\$ 13,456,119</u>	<u>\$ 14,198,651</u>	<u>\$ 11,850,512</u>	<u>\$ 702,027</u>	<u>\$ 12,552,539</u>	<u>\$ 1,646,112</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Elmwood Local School District, Wood County, Ohio (the "District"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for providing public education to residents of the District. The District has its own fiscal officer (Treasurer), who is appointed by the Board.

Average daily membership (ADM) for fiscal year ended June 30, 2007, was 1,329 (actual measurement dates are the first full school week in October). In addition, the District employed a monthly average of 98 certified employees and 59 non-certified employees.

Joint Venture Without Equity Interest:

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-eight user organizations. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts and service Districts. Each of the governments of these schools support NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating District and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two assembly members from each county in which participating service centers are located. Each district's authority is limited to its representation on the Board. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Jointly Governed Organizations:

Penta Career Center

The Penta Career Center is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

The Special Revenue Fund Type is used to account for proceeds of specific revenue sources (other than private purpose trusts, or major capital projects) that are legally restricted to disbursements for specified purposes. The District had the following significant special revenue funds for the fiscal year ended June 30, 2007:

Public School Preschool: This fund receives grant monies and tuition payments to assist in paying the cost of preschool programs for three and four year olds.

IDEA, Part B, Special Education, Education of Handicapped Children: This fund receives grant monies to assist in providing an appropriate public education to all children with disabilities.

Debt Service Funds

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The District had the following debt service fund for the fiscal year ended June 30, 2007:

Bond Retirement Fund: This fund receives tax and intergovernmental monies for the retirement of debt.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds). The District had no significant capital projects funds for the fiscal year ended June 30, 2007.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUND TYPE:

Enterprise Funds

The Enterprise Funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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. The District had the following significant enterprise fund for the fiscal year ended June 30, 2007:

Food Services: This fund receives grant monies and customer fees to record financial transactions related to the District's food service operation.

FIDUCIARY FUND TYPES:

Fiduciary Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The District's fiduciary funds include private purpose trust funds and agency funds. These are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature. The District maintains one agency fund to account for student activities.

The District had the following significant private-purpose trust fund at June 30, 2007:

Friends of Elmwood-Jerry City Lodge - This fund receives donations and distributes to students in accordance with its trust agreement.

The District had the following agency fund at June 30, 2007:

Student Activity (Agency) - This fund receives monies from extracurricular activities to satisfy the objectives of the specific activity.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. BUDGETARY PROCESS

1. Budget

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 legal level of budgetary control is at the fund level. All budgetary modifications at this level may only be made by resolution of the Board of Education.

2. Tax Budget

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

3. Estimated Resources

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated receipts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2007 and do not include the unencumbered fund balances as of July 1, 2006. However, those fund balances are available for appropriations.

4. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

5. 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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures may not exceed appropriations at the legal level of control.

6. Lapsing of Appropriations

At the close of each 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.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. CASH AND INVESTMENTS

For reporting purposes, the District considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the District totaled \$388,895 for the fiscal year ended June 30, 2007.

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets acquired or constructed for the District are recorded as disbursements in the fund in the year expended, and are not capitalized. Depreciation is not recorded for these capital assets.

G. ACCUMULATED UNPAID VACATION, SICK LEAVE, AND PERSONAL LEAVE

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practical to determine the actuarial value of these benefits as of June 30, 2007.

H. INTERFUND TRANSACTIONS

During the normal course of operations the District had transactions between funds, of which the most significant included advances. Advances are temporary loans to other funds which are ultimately repaid.

I. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the District's cash basis method of accounting.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - RESTATEMENT OF CASH FUND BALANCES

Effective July 1, 2006, new fund classifications were required by school districts in accordance with the new GASB Statement No. 34. While the District has elected not to implement this statement, the fund classification change was still in effect. Certain cash fund balances have been restated to conform with the new classifications.

NOTE 3 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Hancock and Wood Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential/commercial and other real estate	\$ 96,241,920	88.46	\$ 93,369,950	88.00
Public utility personal	83,560	0.08	90,870	0.09
Tangible personal property	<u>12,474,238</u>	<u>11.46</u>	<u>12,634,667</u>	<u>11.91</u>
Total	<u>\$ 108,799,718</u>	<u>100.00</u>	<u>\$ 106,095,487</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$38.50		\$38.50	
Permanent improvements	\$2.00		\$2.30	

NOTE 4 - CASH AND INVESTMENTS

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - CASH AND INVESTMENTS - (Continued)

Protection of the 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 moneys deposited with the institution.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - CASH AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

During fiscal year 2007, the District's investments were limited to STAR Ohio and Certificate of Deposits. 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 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, 2007.

The carrying amount of cash and investments at June 30, 2007 was as follows:

Deposits:	
Demand deposits	\$ 6,136,821
Investments:	
STAR Ohio	<u>681,037</u>
Total deposits and investments	<u>\$ 6,817,858</u>

Cash with Escrow Agent:

At June 30, 2007, the District had \$11,021 held by an escrow agent in a bond reserve account in connection with the bond retirement.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - CASH AND INVESTMENTS - (Continued)

Deposits:

At year end, the carrying amount of the District's deposits was \$6,136,821 (including petty cash, of which, \$6,000 is maintained in a checking account and \$246 is maintained on hand) and the bank balance was \$6,265,327. Of the bank balance, \$481,595 was covered by federal deposit insurance and the remaining balance was collateralized by the financial institution's public entity deposit pool.

Although all statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments:

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Investments are usually categorized into three categories of credit risk:

- Category 1: Securities held by the District or its agent in the District's name.
- Category 2: Securities held by the counter party's trust department or agency in the District's name.
- Category 3: Securities held by the counter party, or by its trust department or agent but not in the District's name.

The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	<u>\$ 681,037</u>
Total investments	<u><u>\$ 681,037</u></u>

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - DEBT OBLIGATIONS

Debt activity and outstanding balances at June 30, 2007, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2006</u>	<u>Retired in FY 2007</u>	<u>Outstanding June 30, 2007</u>
G.O. Bonds	9.50%	12/1/2006	\$ 75,000	\$ 75,000	\$ -
School Facilities					
Construction Bonds	Varying	12/1/2023	<u>3,210,000</u>	<u>115,000</u>	<u>3,095,000</u>
Total			<u>\$ 3,285,000</u>	<u>\$ 190,000</u>	<u>\$ 3,095,000</u>

On April 1, 1983, the District issued \$1,735,000 School Improvement Bonds to make necessary improvements to the District buildings at an interest rate of 9.5%, maturing in fiscal year 2007. General obligation bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the District. Payments of principal and interest are recorded in the debt service fund.

On April 15, 2001, the District issued \$3,673,000 School Facilities Construction and Improvement Bonds to fund the construction of the new K-12 facility. This issue is comprised of both current interest bonds at a par value of \$3,158,000 and term bonds at a par value of \$515,000. The interest rates on the current interest bonds range from 3.4% to 5.0%. The term bonds have effective rates of 5.10%. Payments of principal and interest are recorded in the debt service fund.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Fiscal Year Ending June 30</u>	<u>School Facilities Construction Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 120,000	\$ 153,168	\$ 273,168
2009	125,000	147,533	272,533
2010	130,000	141,895	271,895
2011	140,000	136,122	276,122
2012	145,000	129,923	274,923
2013 - 2017	840,000	521,160	1,361,160
2018 - 2022	1,080,000	301,171	1,381,171
2023 - 2024	<u>515,000</u>	<u>26,648</u>	<u>541,648</u>
Total	<u>\$ 3,095,000</u>	<u>\$ 1,557,620</u>	<u>\$ 4,652,620</u>

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - INTERFUND TRANSACTIONS

The District had the following advances for the fiscal year ended June 30, 2007:

<u>Fund Type/Fund</u>	<u>Advance In</u>	<u>Advance Out</u>
General Fund	\$ 44,936	\$ 10,000
<u>Special Revenue Fund</u>		
High School Athletics	-	10,605
<u>Enterprise Funds</u>		
Lunchroom	-	20,113
Uniform School Supplies	10,000	14,218
Total Enterprise Funds	10,000	34,331
Total	<u>\$ 54,936</u>	<u>\$ 54,936</u>

NOTE 7 - RELATED ORGANIZATION

The Wayne Public Library is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determine its own budget. The Library did not receive any funding from the District during fiscal year 2007.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary 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 District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$206,136, \$174,240 and \$178,752; 100 percent has been contributed through fiscal year 2007.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 8 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 8 - PENSION PLANS - (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions to fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$697,044, \$646,764, and \$630,968; 100 percent has been contributed through fiscal year 2007. Contributions to the DC and Combined Plans for fiscal year 2007 were \$4,251 made by the District and \$11,920 made by the plan members.

NOTE 9 - POSTEMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$50,844 for fiscal year 2007.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006 (the latest information available), employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$20,944 to fund health care benefits, including the surcharge.

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, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 - EMPLOYEE BENEFITS

A. OTHER EMPLOYEE BENEFITS

The District provides health and major insurance for all eligible employees through Medical Mutual of Ohio. The District pays 95% of single plan and 90% of family plan. Those amounts are the same on the Tradition and for the PPO plans for the certified staff. For the Classified staff - Board pays 85% for Family and 100% for Single (for those hired before 9-1-92). For those hired after 9-1-92 for the PPO the Board pays 90% of the family and 100% of the single.

Current premium for the medical plan is:

Medical

Family Traditional - \$1,415.40

Single Traditional - \$528.23

Single PPO (classified) - \$393.22

Family PPO (classified) - \$1,047.97

Single PPO (certified) - \$394.19

Family PPO (certified) - \$1,050.60

Dental coverage is provided through Medical Mutual of Ohio. Premiums for this coverage are the same for both the Certified and Classified staff. Board pays 100% of single and 85% for Family.

Dental - Premium cost

Family Dental - \$74.06

Single Dental - \$27.25

Life Insurance and accidental death and dismemberment insurance to most employees are provided through National Insurance Services. Both Certified and Classified employees have \$35,000 coverage. Administrators are covered at \$40,000 and the Superintendent is covered at twice his/her salary amount. The Board pays the full premium on life insurance and accidental death and dismemberment.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

B. DEFERRED COMPENSATION

District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 11 - RISK MANAGEMENT

The 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 ending June 30, 2006, the District contracted with various insurance companies for property and general liability insurance, including criminal, mechanical, electrical and pressure equipment, inland marine and fleet coverage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. There have been no significant reductions in amounts of insurance coverage.

The District pays the State Workers' Compensation System a premium based on a rate of \$100 salaries. This rate is calculated based on accident history and administrative costs.

NOTE 12 - INSURANCE PURCHASING POOL

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - INCOME TAX

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was renewed on January 1, 2006, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State of Ohio. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund in the amount of \$1,389,392.

NOTE 14 - SET-ASIDE CALCULATIONS

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

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

	<u>Textbook Reserve</u>	<u>Restated Capital Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ (896,589)	\$ (5,193,765)
Current year set-aside requirement	186,979	186,979
Qualifying off-sets	-	(42,813)
Qualifying disbursements	<u>(557,320)</u>	<u>(250,898)</u>
Total	<u>\$ (1,266,930)</u>	<u>\$ (5,300,497)</u>
Balance carried forward to FY 2008	<u>\$ (1,266,930)</u>	<u>\$ (5,236,578)</u>

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - SET-ASIDE CALCULATIONS - (Continued)

The District had, for the Textbook Acquisition Reserve, additional qualifying disbursements during the year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years. During fiscal 2001, the District issued bonds totaling \$5,473,000 in connection with the building of the District's new K-12 building. These were qualifying offsets in the year of issuance and in addition to receipts in the Classroom Maintenance fund annually and are eligible to be carried forward to future years.

NOTE 15 - CONTINGENCIES

A. GRANTS

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2007.

B. LITIGATION

- i.* A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$11,582 per year. A portion of the refund may be recovered from additional State entitlement payments.
- ii.* The District is not involved in material litigation as either plaintiff or defendant.

SUPPLEMENTAL DATA

**ELMWOOD LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
(A) Food Donation	10.550	N/A	\$ -	\$ 18,902	\$ -	\$ 18,902
Total Food Donation			<u>-</u>	<u>18,902</u>	<u>-</u>	<u>18,902</u>
(B) National School Lunch Program	10.555	050682-LLP4-2006	40,894		40,894	
(B) National School Lunch Program	10.555	050682-LLP4-2007	86,533		86,533	
Total National School Lunch Program			<u>127,427</u>		<u>127,427</u>	
Total U.S. Department of Agriculture			<u>127,427</u>	<u>18,902</u>	<u>127,427</u>	<u>18,902</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	050682-C1S1-2007	69,555		69,555	
Total Title I Grants to Local Educational Agencies			<u>69,555</u>		<u>69,555</u>	
Migrant Education_State Grant Program	84.011	050682-MGS1-2006	17,053		7,724	
Migrant Education_State Grant Program	84.011	050682-MGS1-2007	15,427		53,585	
Total Migration Education_State Grant Program			<u>32,480</u>		<u>61,309</u>	
Special Education_Grants to States	84.027	050682-6BSF-2007	286,085		286,085	
Total Special Education Grants to State			<u>286,085</u>		<u>286,085</u>	
Safe and Drug-Free Schools and Communities_State Grants	84.186	050682-DRS1-2006	-		650	
Safe and Drug-Free Schools and Communities_State Grants	84.186	050682-DRS1-2007	3,114		3,114	
Total Safe and Drug-Free Schools and Communities_State Grants			<u>3,114</u>		<u>3,764</u>	
State Grants for Innovative Programs	84.298	050682-C2S1-2006	-		20	
State Grants for Innovative Programs	84.298	050682-C2S1-2007	1,624		1,501	
Total State Grants for Innovative Programs			<u>1,624</u>		<u>1,521</u>	
Education Technology State Grants	84.318	050682-TJS1-2006	-		157	
Education Technology State Grants	84.318	050682-TJS1-2007	724		724	
Total Educational Technology State Grants			<u>724</u>		<u>881</u>	
Improving Teacher Quality State Grants	84.367	050682-TRS1-2007	45,008		45,008	
Total Improving Teacher Quality State Grants			<u>45,008</u>		<u>45,008</u>	
Total U.S. Department of Education			<u>438,590</u>		<u>468,123</u>	
Total Federal Financial Assistance			<u>\$ 566,017</u>	<u>\$ 18,902</u>	<u>\$ 595,550</u>	<u>\$ 18,902</u>

(A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis.
(C) This schedule was prepared on the cash basis of accounting.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance and Other Matters and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

We have audited the financial statements of the Elmwood Local School District, Wood County, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. For the fiscal year ended June 30, 2007, the Elmwood Local School District prepared its financial report on the basis of accounting in accordance with the standards prescribed by the Auditor of State for governmental entities that are not required to prepare their annual report in accordance with accounting principles generally accepted in the United States of America, and is non-compliant with Ohio Administrative Code Section 117-2-03(B) and thus was issued an adverse opinion. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elmwood Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elmwood Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elmwood Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Elmwood Local School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Elmwood Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Elmwood Local School District's internal control.

Board of Education
Elmwood Local School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Elmwood Local School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elmwood Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2007-ELSD-001.

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

This report is intended for the information and use of the management and Board of Education, 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.



Julian & Grube, Inc.
September 21, 2007



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Board of Education
Elmwood Local School District
7650 Jerry City Road
Bloomdale, Ohio 44817

Compliance

We have audited the compliance of Elmwood Local School District, Wood County, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. For the fiscal year ended June 30, 2007, the Elmwood Local School District prepared its financial report on the basis of accounting in accordance with the standards prescribed by the Auditor of State for governmental entities that are not required to prepare its annual report in accordance with accounting principles generally accepted in the United States of America, and is non-compliant with Ohio Administrative Code Section 117-2-03(B) and thus was issued an adverse opinion. The Elmwood Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Elmwood Local School District's management. Our responsibility is to express an opinion on the Elmwood Local School District 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 of America; and OMB Circular A-133, *Audit 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 with the types of compliance requirements referred to above that could directly and materially effect a major federal program. An audit includes examining, on a test basis, evidence about the Elmwood Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Elmwood Local School District's compliance with those requirements.

Board of Education
Elmwood Local School District

In our opinion, the Elmwood Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

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

A control deficiency in Elmwood Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Elmwood Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Elmwood Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Elmwood Local School District's internal control.

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

This report is intended solely for the information and use of management, the Board of Education, 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.



Julian & Grube, Inc.
September 21, 2007

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Adverse
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grants to States, CFDA #84.027 and Improving Teacher Quality State Grants, CFDA #84.367
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

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

Finding Number	2007-ELSD-001
----------------	---------------

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, as described in Note 1, the District prepares its financial statements on the basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, and fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District. The lack of complying with this requirement also potentially places federal funding in jeopardy.

We recommend that the District file their financial report in accordance with GAAP. The District may find it beneficial to consult with an accounting firm to compile or assist them in compiling their financial statements in accordance with GAAP.

Client Response: The District is not anticipating having their financial statements prepared in accordance with accounting principles generally accepted in the United States of America.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2006-ELSD-001	Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, as described in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than GAAP.	No	Repeated as Finding 2007-ELSD-001



Mary Taylor, CPA
Auditor of State

ELMWOOD CITY SCHOOL DISTRICT
WOOD 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
NOVEMBER 20, 2007