



Mary Taylor, CPA
Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 August 18, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is 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 basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

August 18, 2010

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of Elgin Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

In total, net assets increased \$22,001,268, or 805 percent. This increase is due to grant resources received through the Ohio School Facilities Commission for building construction and renovation as well as from debt proceeds obtained but not spent as of fiscal year end for this building project.

General revenues accounted for 89 percent of total revenues for fiscal year 2010. While a significant portion of this was made up of grant resources related to the Ohio School Facilities Commission construction project this fiscal year, this substantial percentage of general revenues continues to demonstrate the School District's significant dependence on property taxes and unrestricted State entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Elgin Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

Table 1 Net Assets		Governmental Activities	
	2010	2009	Change
<u>Assets:</u>			
Current and Other Assets	\$43,976,033	\$5,070,226	\$38,905,807
Capital Assets, Net	2,680,000	2,468,425	211,575
Total Assets	46,656,033	7,538,651	39,117,382
			(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 1
Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Liabilities:</u>			
Current and Other Liabilities	\$21,037,519	\$3,896,735	(\$17,140,784)
Long-Term Liabilities	884,948	909,618	24,670
Total Liabilities	21,922,467	4,806,353	(17,116,114)
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	2,672,449	2,468,425	204,024
Restricted	21,335,910	495,125	20,840,785
Unrestricted (Deficit)	725,207	(231,252)	956,459
Total Net Assets	\$24,733,566	\$2,732,298	\$22,001,268

The table above denotes several significant changes from the prior fiscal year. The \$39 million increase in current and other assets is due, in general, to three sources. The School District issued \$16.6 million in bond anticipation notes for building construction. As of fiscal year end, only \$7,551 of these proceeds had been spent on construction so the remainder was still reflected as part of cash and cash equivalents (this is also reflected in the increase in current and other liabilities and restricted net assets). In addition, the School District had an outstanding receivable of \$18.7 million in grant resources from the Ohio School Facilities Commission for the building construction and renovation project (also reflected as part of the increase in restricted net assets). Lastly, the School District had an increase in the receivable for property taxes due to the two new levy issues approved in November 2009, one a bond levy for the local share of building construction costs and the other a permanent improvement levy. The increase in net capital assets and invested in capital assets is primarily due to construction in progress (generally engineering costs associated with the new building construction).

Table 2 reflects the change in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

	Governmental Activities		
	2010	2009	Change
<u>Revenues</u>			
<u>Program Revenues</u>			
Charges for Services	\$1,786,088	\$1,976,416	(\$190,328)
Operating Grants, Contributions, and Interest	2,167,701	1,475,700	692,001
Capital Grants and Contributions	9,145	37,937	(28,792)
Total Program Revenues	3,962,934	3,490,053	472,881

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		
	2010	2009	Change
<u>Revenues (continued)</u>			
<u>General Revenues</u>			
Property Taxes Levied for General Purposes	\$3,782,277	\$3,442,411	\$339,866
Property Taxes Levied for Classroom Facilities	31,848	0	31,848
Property Taxes Levied for Debt Service	335,190	0	335,190
Property Taxes Levied for Permanent Improvements	174,553	0	174,553
Income Taxes Levied for General Purposes	167,057	0	167,057
Payment in Lieu of Taxes	28,000	0	28,000
Grants and Entitlements	26,921,547	6,740,646	20,180,901
Interest	71,438	37,521	33,917
Gifts and Donations	6,937	6,542	395
Miscellaneous	238,235	39,023	199,212
Total General Revenues	<u>31,757,082</u>	<u>10,266,143</u>	<u>21,490,939</u>
Total Revenues	<u>35,720,016</u>	<u>13,756,196</u>	<u>21,963,820</u>
<u>Expenses</u>			
<u>Instruction:</u>			
Regular	6,575,565	6,963,182	387,617
Special	1,251,642	1,457,520	205,878
Vocational	85,907	76,741	(9,166)
<u>Support Services:</u>			
Pupils	862,620	673,313	(189,307)
Instructional Staff	449,112	447,211	(1,901)
Board of Education	32,175	29,744	(2,431)
Administration	1,033,699	1,114,121	80,422
Fiscal	454,365	405,396	(48,969)
Operation and Maintenance of Plant	1,009,858	1,095,458	85,600
Pupil Transportation	767,534	868,216	100,682
Central	8,363	0	(8,363)
Non-Instructional Services	596,389	601,198	4,809
Extracurricular Activities	276,096	342,360	66,264
Interest and Fiscal Charges	315,423	0	(315,423)
Total Expenses	<u>13,718,748</u>	<u>14,074,460</u>	<u>355,712</u>
Increase (Decrease) in Net Assets	22,001,268	(318,264)	22,319,532
Net Assets at Beginning of Year	2,732,298	3,050,562	(318,264)
Net Assets at End of Year	<u>\$24,733,566</u>	<u>\$2,732,298</u>	<u>\$22,001,268</u>

In total, program revenues increased over 13 percent from the prior fiscal year and was due to additional operating grant resources being received by the School District for special instruction. However, both charges for services and capital grants decreased from fiscal year 2009. The decrease in charges for services was due to lower revenues for food service operations and for extracurricular activities. The decrease in capital grants and contributions was due to bus purchase monies received by the School District in the prior fiscal year.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

General revenues had a substantial increase from the prior fiscal year. The School District began collections on the 7.4 mill bond levy for construction, the 1 mill levy for permanent improvements, and from the .75 percent income tax levy. The School District also obtained a grant from the Ohio School Facilities Commission for building construction and renovation.

Overall, expenses did not change significantly (a 2.5 percent decrease). As is to be expected, the instruction program represents the School District's largest expense, representing almost 58 percent of overall expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 80 percent of all of the School District's expenses are related directly to the functions of delivering education and maintaining facilities.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$6,575,565	\$6,963,182	\$5,149,212	\$5,315,736
Special	1,251,642	1,457,520	(412,888)	401,977
Vocational	85,907	76,741	5,495	49,480
Support Services:				
Pupils	862,620	673,313	857,620	668,313
Instructional Staff	449,112	447,211	449,112	447,211
Board of Education	32,175	29,744	32,175	29,744
Administration	1,033,699	1,114,121	1,033,699	1,114,121
Fiscal	454,365	405,396	454,365	405,396
Operation and Maintenance of Plant	1,009,858	1,095,458	1,000,713	1,083,458
Pupil Transportation	767,534	868,216	767,534	842,524
Central	8,363	0	8,363	0
Non-Instructional Services	596,389	601,198	(38,294)	(20,740)
Extracurricular Activities	276,096	342,360	133,285	0
Interest and Fiscal Charges	315,423	0	315,423	247,187
Total Expenses	\$13,718,748	\$14,074,460	\$9,755,814	\$10,584,407

With the increase in program revenues in fiscal year 2010, the costs of programs supported by general revenues, primarily taxes and school foundation resources, was slightly less than in the prior fiscal year. The above table also demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, the special instruction program received program revenues in excess of program costs for fiscal year 2010 due to grant resources restricted for special education purposes. The non-instructional services program also received program revenues in excess of program costs. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service, as well as charges for school age child care. The extracurricular activities program provided for 52 percent of program costs through program revenues. These resources consist of music and athletic fees, ticket sales, and gate receipts for musical and athletic events.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased almost 26 percent from the prior fiscal year. Revenues had a modest 2 percent increase due, in part, to the .75 percent income tax levy which became effective on January 1, 2010. Expenditures, however, reflect a 9 percent decrease with reductions occurring in a number of programs.

The Classroom Facilities capital projects fund was a new fund in fiscal year 2010. This fund receives grant resources and debt proceeds to be used for the building construction and renovation project.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During fiscal year 2010, the School District amended its General Fund budget as needed.

For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$2,680,000 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of engineering costs related to the new building construction and disposals consisted of three buses. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

At June 30, 2010, the School District had \$16,630,000 in outstanding bond anticipation notes. The School District's only long-term obligation was for compensated absences. For further information regarding the School District's debt and long-term obligations, refer to Notes 16 and 17 to the basic financial statements.

Current Issues

Elgin Local School District is a residential/farming community. The School District has seen a decline in student enrollment and this is expected to continue. Historical patterns show the graduating classes continue to be larger than the kindergarten classes coming into the School District. The School District's leading employer, Whirlpool Corporation, has continued to have a strong labor force.

The School District is continuing to address the needs of the exceptional students in the School District (special education and gifted education). While we have tried to be very efficient in sharing programs with other school districts, the costs of this sharing has made it necessary for us to evaluate those programs and look for alternatives to not only keep these students in our School District but to use our money more efficiently.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The School District, in coordination with twenty-three collaborating community partners, opened an outdoor learning center called the Sandusky Plains Environmental Education Center (SPEEC) in September 2008. The SPEEC is located on the Elgin High School campus and is adjacent to the 5,500 acre Big Island Wildlife Area. This entire project was supported by a \$60,000 State Capital Improvement Grant (received in 2005), \$46,070 Ohio Environmental Education Grant (received in 2005), \$130,000 pledged by the School District, \$10,000 from the USDA Farm Service Agency, and multiple other donations. The SPEEC has the potential to be a state of the art environmental educational facility that will serve all of central Ohio.

On May 5, 2009, the voters of the School District approved a .75 percent income tax. This income tax is a continuing tax to be collected only on earned income. This additional revenue will provide for operational needs of the School District. The current emergency levy (\$852,970) will be up for renewal in 2011.

On November 3, 2009, the voters of the School District approved a 7.49 mill bond levy. This revenue will be used to construct a new K-12 building in conjunction with the Ohio School Facilities Commission. The voters also approved a 1 mill permanent improvement levy of which .5 mills will be used to establish a maintenance fund for the new building and the other .5 mills will be used for various permanent improvements in the School District. This will help to offset the current capital expenses being paid from the General Fund.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kimberly Reynolds, Treasurer, Elgin Local School District, 4616 Larue-Prospect Road, Marion, Ohio 43302.

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**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 20,271,947
Cash and Cash Equivalents with Fiscal Agents	67
Accounts Receivable	15,410
Accrued Interest Receivable	11,006
Intergovernmental Receivable	18,742,365
Income Taxes Receivable	120,089
Payment in Lieu of Taxes Receivable	28,000
Prepaid Items	37,956
Inventory Held for Resale	12,855
Materials and Supplies Inventory	37,056
Property Taxes Receivable	4,699,282
Nondepreciable Capital Assets	463,066
Depreciable Capital Assets, Net	2,216,934
Total Assets	46,656,033
<u>Liabilities:</u>	
Accounts Payable	51,348
Accrued Wages and Benefits Payable	1,057,692
Matured Compensated Absences Payable	40,786
Separation Benefits Payable	100,000
Intergovernmental Payable	310,554
Deferred Revenue	2,819,654
Accrued Interest Payable	27,485
Notes Payable	16,630,000
Long-Term Liabilities:	
Due Within One Year	31,064
Due in More Than One Year	853,884
Total Liabilities	21,922,467
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,672,449
Restricted For:	
Capital Projects	19,837,216
Debt Service	386,050
Set Asides	172,193
Food Service	262,340
Athletic and Music	65,110
Other Purposes	613,001
Unrestricted	725,207
Total Net Assets	\$ 24,733,566

See Accompanying Notes to Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 6,575,565	\$ 1,362,315	\$ 64,038	\$ -	\$ (5,149,212)
Special	1,251,642	13,316	1,651,214	-	412,888
Vocational	85,907	-	80,412	-	(5,495)
Support Services:					
Pupils	862,620	-	5,000	-	(857,620)
Instructional Staff	449,112	-	-	-	(449,112)
Board of Education	32,175	-	-	-	(32,175)
Administration	1,033,699	-	-	-	(1,033,699)
Fiscal	454,365	-	-	-	(454,365)
Operation and Maintenance of Plant	1,009,858	-	-	9,145	(1,000,713)
Pupil Transportation	767,534	-	-	-	(767,534)
Central	8,363	-	-	-	(8,363)
Non-Instructional Services	596,389	274,321	360,362	-	38,294
Extracurricular Activities	276,096	136,136	6,675	-	(133,285)
Interest and Fiscal Charges	315,423	-	-	-	(315,423)
Total Governmental Activities	\$ 13,718,748	\$ 1,786,088	\$ 2,167,701	\$ 9,145	(9,755,814)

General Revenues:

Property Taxes Levied for General Purposes	3,782,277
Property Taxes Levied for Classroom Facilities	31,848
Property Taxes Levied for Debt Service	335,190
Property Taxes Levied for Permanent Improvements	174,553
Income Taxes Levied for General Purposes	167,057
Payment in Lieu of Taxes	28,000
Grants and Entitlements not Restricted to Specific Programs	26,921,547
Interest	71,438
Gifts and Donations	6,937
Miscellaneous	238,235
Total General Revenues	31,757,082
 Change in Net Assets	 22,001,268
 Net Assets at Beginning of Year - Restated (See Note 3)	 2,732,298
Net Assets at End of Year	\$ 24,733,566

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 899,327	\$ 17,300,852	\$ 1,873,883	\$ 20,074,062
Cash and Cash Equivalents				
with Fiscal Agents	-	-	67	67
Accounts Receivable	7,394	-	8,016	15,410
Accrued Interest Receivable	92	10,461	453	11,006
Intergovernmental Receivable	40,609	18,303,937	397,819	18,742,365
Income Taxes Receivable	120,089	-	-	120,089
Payment in Lieu of Taxes Receivable	28,000	-	-	28,000
Prepaid Items	37,956	-	-	37,956
Inventory Held for Resale	-	-	12,855	12,855
Materials and Supplies Inventory	34,107	-	2,949	37,056
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	197,885	-	-	197,885
Property Taxes Receivable	3,602,734	-	1,096,548	4,699,282
Total Assets	4,968,193	35,615,250	3,392,590	43,976,033
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	46,463	-	4,885	51,348
Accrued Wages and Benefits Payable	969,170	-	88,522	1,057,692
Matured Compensated Absences Payable	40,786	-	-	40,786
Intergovernmental Payable	288,999	-	21,555	310,554
Deferred Revenue	2,171,952	18,309,244	1,498,060	21,979,256
Accrued Interest Payable	-	26,107	1,378	27,485
Notes Payable	-	15,795,950	834,050	16,630,000
Total Liabilities	3,517,370	34,131,301	2,448,450	40,097,121
<u>Fund Balances:</u>				
Reserved for Property Taxes	1,464,894	-	-	1,464,894
Reserved for Textbooks	172,193	-	-	172,193
Reserved for Bus Purchase	25,692	-	-	25,692
Reserved for Encumbrances	61,867	282,060	7,616	351,543
Unreserved, Designated for:				
Facilities Expansion	76,925	-	-	76,925
SPEEC Lab	230	-	-	230
Unreserved, Undesignated Reported in:				
General Fund (Deficit)	(350,978)	-	-	(350,978)
Special Revenue Funds	-	-	520,802	520,802
Debt Service Fund	-	-	385,820	385,820
Capital Projects Funds	-	1,201,889	29,902	1,231,791
Total Fund Balances	1,450,823	1,483,949	944,140	3,878,912
Total Liabilities and Fund Balances	\$ 4,968,193	\$ 35,615,250	\$ 3,392,590	\$ 43,976,033

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

Total Governmental Fund Balances \$ 3,878,912

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 2,680,000

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	11,747	
Accrued Interest Receivable	5,495	
Intergovernmental Receivable	18,699,626	
Payment in Lieu of Taxes Receivable	28,000	
Property Taxes Receivable	414,734	
		19,159,602

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Separation Benefits Payable	(100,000)	
Compensated Absences Payable	(884,948)	
		(984,948)

Net Assets of Governmental Activities \$ 24,733,566

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
Revenues:				
Property Taxes	\$ 3,651,293	\$ 135,570	\$ 406,021	\$ 4,192,884
Income Taxes	167,057	-	-	167,057
Payment in Lieu of Taxes	28,000	-	-	28,000
Intergovernmental	7,266,013	1,800,000	1,462,514	10,528,527
Interest	10,361	52,884	2,749	65,994
Tuition and Fees	1,366,033	-	22,801	1,388,834
Extracurricular Activities	39,688	-	91,189	130,877
Charges for Services	-	-	274,321	274,321
Gifts and Donations	2,572	-	28,555	31,127
Miscellaneous	57,850	137,972	47,215	243,037
Total Revenues	<u>12,588,867</u>	<u>2,126,426</u>	<u>2,335,365</u>	<u>17,050,658</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,123,328	-	336,450	6,459,778
Special	928,020	-	308,184	1,236,204
Vocational	81,017	-	463	81,480
Support Services:				
Pupils	583,102	-	273,603	856,705
Instructional Staff	413,431	-	39,239	452,670
Board of Education	32,175	-	-	32,175
Administration	938,530	7,746	128,910	1,075,186
Fiscal	436,934	-	12,849	449,783
Operation and Maintenance of Plant	988,684	-	8,640	997,324
Pupil Transportation	718,595	-	2,009	720,604
Central	8,363	-	-	8,363
Non-Instructional Services	-	-	595,059	595,059
Extracurricular Activities	184,221	-	87,385	271,606
Capital Outlay	-	335,082	7,551	342,633
Debt Service:				
Current Refunding	-	15,795,950	834,050	16,630,000
Interest and Fiscal Charges	-	299,649	15,774	315,423
Total Expenditures	<u>11,436,400</u>	<u>16,438,427</u>	<u>2,650,166</u>	<u>30,524,993</u>
Excess of Revenues Over (Under) Expenditures	<u>1,152,467</u>	<u>(14,312,001)</u>	<u>(314,801)</u>	<u>(13,474,335)</u>
Other Financing Sources (Uses):				
Current Refunding	-	15,795,950	834,050	16,630,000
Sale of Capital Assets	3,792	-	-	3,792
Transfers In	1,050	-	2,000	3,050
Transfers Out	(2,000)	-	(1,050)	(3,050)
Total Other Financing Sources (Uses)	<u>2,842</u>	<u>15,795,950</u>	<u>835,000</u>	<u>16,633,792</u>
Changes in Fund Balances	1,155,309	1,483,949	520,199	3,159,457
Fund Balances at Beginning of Year	295,514	-	423,941	719,455
Fund Balances at End of Year	<u>\$ 1,450,823</u>	<u>\$ 1,483,949</u>	<u>\$ 944,140</u>	<u>\$ 3,878,912</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Changes in Fund Balances - Total Governmental Funds \$ 3,159,457

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current fiscal year:

Capital Outlay - Nodepreciable Capital Assets	342,633	
Capital Outlay - Depreciable Capital Assets	14,390	
Depreciation	<u>(145,448)</u>	211,575

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a gain on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(3,792)	
Gain on Disposal of Capital Assets	<u>3,792</u>	-

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	130,984	
Intergovernmental	18,538,640	
Interest	5,495	
Tuition and Fees	(14,874)	
Extracurricular Activities	5,259	
Miscellaneous	<u>62</u>	18,665,566

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Separation Benefits Payable	(60,000)	
Compensated Absences Payable	<u>24,670</u>	<u>(35,330)</u>

Change in Net Assets of Governmental Activities \$ 22,001,268

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$ 3,365,687	\$ 3,175,848	\$ 3,231,501	\$ 55,653
Income Taxes	125,000	46,500	46,968	468
Payment in Lieu of Taxes	28,000	28,000	28,000	-
Intergovernmental	6,843,381	7,106,394	7,326,622	220,228
Interest	25,000	10,000	10,269	269
Tuition and Fees	1,554,613	1,366,319	1,366,033	(286)
Extracurricular Activities	45,000	37,100	37,824	724
Gifts and Donations	-	2,800	2,572	(228)
Miscellaneous	64,000	52,450	55,753	3,303
Total Revenues	<u>12,050,681</u>	<u>11,825,411</u>	<u>12,105,542</u>	<u>280,131</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,139,373	6,088,895	6,098,355	(9,460)
Special	1,132,003	1,003,281	948,253	55,028
Vocational	96,253	89,327	81,814	7,513
Other	110,000	210,875	208,425	2,450
Support Services:				
Pupils	476,865	595,983	580,920	15,063
Instructional Staff	382,327	427,710	403,689	24,021
Board of Education	29,962	32,504	30,791	1,713
Administration	1,007,689	1,009,682	946,430	63,252
Fiscal	396,274	438,616	436,055	2,561
Operation and Maintenance of Plant	1,133,089	1,081,075	1,015,202	65,873
Pupil Transportation	857,499	771,968	734,028	37,940
Central	-	8,385	8,321	64
Extracurricular Activities	194,250	195,283	190,398	4,885
Total Expenditures	<u>11,955,584</u>	<u>11,953,584</u>	<u>11,682,681</u>	<u>270,903</u>
Excess of Revenues Over (Under) Expenditures	<u>95,097</u>	<u>(128,173)</u>	<u>422,861</u>	<u>551,034</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	-	3,792	3,792	-
Refund of Prior Year Expenditures	-	1,915	1,915	-
Transfers In	-	1,050	1,050	-
Transfers Out	-	(2,000)	(2,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,757</u>	<u>4,757</u>	<u>-</u>
Changes in Fund Balance	95,097	(123,416)	427,618	551,034
Fund Balance at Beginning of Year	517,307	517,307	517,307	-
Prior Year Encumbrances Appropriated	51,466	51,466	51,466	-
Fund Balance at End of Year	<u>\$ 663,870</u>	<u>\$ 445,357</u>	<u>\$ 996,391</u>	<u>\$ 551,034</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 16,383	\$ 30,653
<u>Liabilities:</u>		
Due to Students	-	\$ 30,653
<u>Net Assets:</u>		
Held in Trust for Scholarships	6,383	
Endowment	10,000	
Total Net Assets	\$ 16,383	

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Additions:

Interest	\$	20
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Deductions:

Non-Instructional Services		<u>500</u>
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Change in Net Assets		(480)
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Net Assets at Beginning of Year		16,863
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Net Assets at End of Year	\$	<u><u>16,383</u></u>
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See Accompanying Notes to the Basic Financial Statements

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**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Note 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 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 391st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by fifty classified employees, eighty-one certified teaching personnel, and seven administrative employees who provide services to 1,366 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 organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Elgin Local School District.

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, Northwestern Ohio Educational Research Council, Inc., Metropolitan Educational Council, the Stark County Schools Council of Governments Health Benefit Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 21 and 22 to the basic financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies

The basic 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 governmental 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

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's major governmental funds are the General Fund and the Classroom Facilities capital projects fund.

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

Classroom Facilities - This fund accounts for monies received and expended in connection with the Ohio School Facilities Commission building project.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Financial Statements

All governmental funds 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. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income 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 income taxes is recognized in the fiscal year in which the income is earned. 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 nonexchange 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, income taxes, grants, interest, tuition, student fees, and charges for services.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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.

E. Budgetary Process

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

F. 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2010, the School District invested in nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price. 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, 2010.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$10,361, which includes \$3,027 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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 reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. Improvements are capitalized. 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.

All capital assets, except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	50 years
Building and Building Improvements	10 - 100 years
Furniture, Fixtures, and Equipment	5 - 100 years
Vehicles	10 - 20 years

K. 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 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.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants.

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

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, textbooks, bus purchase, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for facilities expansion and the Sandusky Plains Environmental Education Center (SPEEC) Lab represent monies set aside by the Board of Education for the future construction of new school buildings and for a science lab.

O. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. 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.

Note 3 - Changes in Accounting Principles and Restatement of Net Assets

A. Changes in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 3 - Changes in Accounting Principles and Restatement of Net Assets (continued)

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

B. Restatement of Net Assets

In fiscal year 2010, the School District changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year.

	Governmental Activities
Net Assets at June 30, 2009	<u>\$2,886,298</u>
Payment in Lieu of Taxes Receivable	<u>(154,000)</u>
Restated Net Assets at June 30, 2009	<u><u>\$2,732,298</u></u>

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2010, the Title VI-B and Title I special revenue funds and the Building capital projects fund had deficit fund balances, in the amount of \$10,114, \$10,078, and \$6,555, respectively. These deficits resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Title I special revenue fund and the Bond Retirement debt service fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$6,658 and \$7,970, respectively, for the fiscal year ended June 30, 2010. The Treasurer will monitor budgetary transactions to ensure that expenditures are within appropriations.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Changes in Fund Balance	
GAAP Basis	\$1,155,309
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	1,145,529
Accrued FY 2010, Not Yet Received in Cash	(1,626,966)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(1,487,525)
Accrued FY 2010, Not Yet Paid in Cash	1,345,418
Cash Adjustments:	
Unrecorded Activity 2009	27
Prepaid Items	3,206
Materials and Supplies Inventory	(6,559)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(100,821)
Budget Basis	\$427,618

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits 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 or deposit accounts, including passbook accounts.

Interim monies held by the School District 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2010, the School District had the following investments:

	Fair Value	Maturity
Federal Farm Credit Bank Notes	\$899,721	2/1/11
Federal Home Loan Bank Notes	1,651,551	12/29/10
Federal Home Loan Bank Notes	550,000	5/18/11
Federal Home Loan Bank Notes	1,100,000	6/9/11
Federal Home Loan Bank Notes	900,279	8/11/11
Federal Home Loan Bank Notes	1,500,765	9/28/11
Federal Home Loan Bank Notes	1,650,000	10/26/11
Federal Home Loan Bank Notes	1,100,000	4/30/12
Federal Home Loan Bank Notes	833,370	12/14/12
Federal National Mortgage Association Notes	2,247,975	12/1/10
Federal National Mortgage Association Notes	598,680	3/1/11
Federal National Mortgage Association Notes	1,321,025	4/26/11
Federal National Mortgage Association Notes	1,356,897	2/23/12
Federal National Mortgage Association Notes	825,000	1/29/13
Mutual Funds	27,289	average 42 days
STAR Ohio	206,374	average 56 days
	\$16,768,926	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and mutual funds carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District's investment policy states that the School District may not invest more than 25 percent of its portfolio individually or in combination in commercial paper and/or bankers' acceptances. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank	\$899,721	5.37%
Federal Home Loan Bank	9,285,965	55.38
Federal National Mortgage Association	6,349,577	37.87

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 7 - Receivables

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, payment in lieu of taxes, and property taxes. 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. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Ohio Department of Education	\$21,883
North Central Ohio ESC	17,935
Marion County	780
Hardin County	<u>11</u>
Total General Fund	40,609
Classroom Facilities	
Ohio School Facilities Commission	18,303,937
Other Governmental Funds	
Food Service	2,921
Classroom Facilities Maintenance	15
Title VI-B	231,051
Title I	139,063
Title II-A	24,524
Bond Retirement	230
Permanent Improvement	<u>15</u>
Total Intergovernmental Receivables	<u><u>\$18,742,365</u></u>

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Payment in Lieu of Taxes

According to State law, Marion County has entered into agreements with a number of property owners under which the County has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the County which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 10 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Delaware, Hardin, and Marion 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$1,464,894 in the General Fund. The amount available as an advance at June 30, 2009, was \$1,045,102 in the General Fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 10 - Property Taxes (continued)

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$105,086,750	80.19%	\$105,630,040	80.22%
Industrial/Commercial	15,413,440	11.76	15,635,980	11.88
Public Utility	10,553,300	8.05	10,399,860	7.90
Total Assessed Value	<u>\$131,053,490</u>	<u>100.00%</u>	<u>\$131,665,880</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.68		\$46.17	

On November 3, 2009, the voters approved a bond levy of 7.4 mills for the construction and renovation of School District buildings. The levy is for a twenty-eight year period. The voters also approved a continuing 1 mill permanent improvement levy.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$120,433	\$0	\$0	\$120,433
Construction in Progress	0	342,633	0	342,633
Total Nondepreciable Capital Assets	<u>120,433</u>	<u>342,633</u>	<u>0</u>	<u>463,066</u>
Depreciable Capital Assets				
Land Improvements	130,296	0	0	130,296
Buildings and Building Improvements	2,454,429	0	0	2,454,429
Furniture, Fixtures, and Equipment	942,827	14,390	0	957,217
Vehicles	1,303,566	0	(137,030)	1,166,536
Total Depreciable Capital Assets	<u>4,831,118</u>	<u>14,390</u>	<u>(137,030)</u>	<u>4,708,478</u>
Less Accumulated Depreciation				
Land Improvements	(27,490)	(2,606)	0	(30,096)
Buildings and Building Improvements	(718,668)	(65,615)	0	(784,283)
Furniture, Fixtures, and Equipment	(695,715)	(33,761)	0	(729,476)
Vehicles	(1,041,253)	(43,466)	137,030	(947,689)
Total Accumulated Depreciation	<u>(2,483,126)</u>	<u>(145,448)</u>	<u>137,030</u>	<u>(2,491,544)</u>
Depreciable Capital Assets, Net	<u>2,347,992</u>	<u>(131,058)</u>	<u>0</u>	<u>2,216,934</u>
Governmental Activities Capital Assets, Net	<u>\$2,468,425</u>	<u>\$211,575</u>	<u>\$0</u>	<u>\$2,680,000</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 11 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$74,963
Special	1,794
Vocational	575
Support Services:	
Pupils	87
Administration	1,612
Fiscal	719
Operation and Maintenance of Plant	15,454
Pupil Transportation	42,031
Non-Instructional Services	3,723
Extracurricular Activities	4,490
Total Depreciation Expense	<u>\$145,448</u>

Note 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 2010, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Excess Liability	4,000,000
Automobile Liability	1,000,000
Uninsured Motorists	250,000
Building and Contents	28,427,309

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 12 - Risk Management (continued)

For fiscal year 2010, 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. 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.

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 13 - Defined Benefit Pension Plans (continued)

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$629,530, \$758,992, and \$816,628 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 are not yet available.

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$179,240, \$128,212, and \$143,639 respectively; 37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, four of the five Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 14 - Postemployment Benefits (continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$48,425, \$58,783, and \$63,510 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$28,050.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$6,452, \$58,676, and \$65,547 respectively; 37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$10,659, \$10,579, and \$10,349 respectively; 37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 15 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

The School District offers medical, dental, vision, and life insurance to most employees through the Stark County Schools Council of Governments Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

C. Separation Benefits

The School District offers a separation benefit to certified and classified employees who have less than thirty-one years of service for certified employees and twenty-five or more years of service for classified employees. The first year that a certified employee is eligible to participate, the employee will be paid \$20,000. The first year that a classified employee is eligible to participate, the employee will be paid \$5,000. The payment will be made sixty days after proof of retirement is provided to the Treasurer. At the option of the employee, the employee may defer the payment to the next calendar year. At June 30, 2010, the liability for separation benefits was \$100,000.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 16 - Short-Term Obligations

The School District's short-term obligations activity for the fiscal year ended June 30, 2010, was as follows:

	Interest Rate	Balance at 6/30/2009	Additions	Reductions	Balance at 6/30/2010
<u>Governmental Activities</u>					
<u>Bond Anticipation Notes</u>					
Capital Projects Funds					
2009 School Facilities					
Construction and Improvement	2.00%	\$0	\$15,000,000	\$15,000,000	\$0
2010 School Facilities					
Construction and Improvement	3.75	0	1,630,000	1,630,000	\$0
2010 School Facilities					
Construction and Improvement	1.75	0	16,630,000	0	16,630,000
Total Governmental Activities		<u>\$0</u>	<u>\$33,260,000</u>	<u>\$16,630,000</u>	<u>\$16,630,000</u>

According to Ohio law, notes may be issued in anticipation of bond proceeds or for up to 50 percent of anticipated revenue collections. The School District's bond anticipation notes are backed by the full faith and credit of the School District and have a maturity of less than one year.

On May 27, 2010, the School District issued bond anticipation notes, in the amount of \$16,630,000, to retire notes previously issued for constructing, renovating, and equipping school facilities. The notes have an interest rate of 1.75 percent and mature on September 15, 2010.

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
<u>Governmental Activities</u>					
<u>General Long-Term Obligations</u>					
Compensated Absences	\$909,618	\$50,318	\$74,988	\$884,948	\$31,064

Compensated absences will be paid from the General Fund, and the Food Service and Title I special revenue funds.

The School District's overall debt margin was (\$5,330,238) with an unvoted debt margin of \$121,266 at June 30, 2010. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 18 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2009	\$8,731	\$0
Current Year Set Aside Requirement	239,403	239,403
Qualifying Expenditures	<u>(75,941)</u>	<u>(239,403)</u>
Balance June 30, 2010	<u>\$172,193</u>	<u>\$0</u>

Note 19 - Interfund Transfers

During fiscal year 2010, the General Fund made transfers to other governmental funds, in the amount of \$2,000, to subsidize programs in other funds. Other governmental funds made a transfer to the General Fund, in the amount of \$1,050, to cover salaries related to program costs.

Note 20 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$10,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$6,383 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 21 - 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. During fiscal year 2010, the School District paid \$55,949 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 21 - Jointly Governed Organizations (continued)

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 Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

C. 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.

D. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of one hundred eighty school districts, libraries, and related agencies in forty-one counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by School Districts. The governing board of the MEC consists of one representative from each member School District. All member School Districts must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, 2100 CityGate Drive, Columbus, Ohio 43219.

Note 22 - Insurance Pools

A. 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 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 GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

Note 22 - Insurance Pools (continued)

B. Stark County Schools Council of Governments Health Benefit Plan

The School District participates in a public entity shared risk pool, the Stark County Schools Council of Governments Health Benefit Plan (Plan) for employee medical, dental, vision, and life insurance benefits. The Plan is administered by the Stark County Schools Council (SCSC), a regional council of governments established in accordance with Chapter 167 of the Ohio Revised Code. The SCSC is governed by an assembly consisting of one representative from each participant. Each participant pays its premiums to the Plan based on an apportionment of estimated costs established by the SCSC prior to the beginning of each fiscal year. Should estimated program costs be insufficient to pay all claims for the fiscal year, the SCSC notifies each participant of any additional program costs for the fiscal year. Upon withdrawal from the Health Benefit Plan, a participant is entitled to be refunded any excess contributions being held by the Plan.

Participation in the Health Benefit Plan is by written application subject to acceptance by the Board of Directors of the Assembly and payment of the monthly premiums. Financial information can be obtained from the Stark County Educational Service Center, who serves as fiscal agent, 2100 Thirty-Eighth Street Northwest, Canton, Ohio 44709.

Note 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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

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**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u> <i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 37,306	\$ 37,306
Cash Assistance:			
School Breakfast Program	10.553	58,798	58,798
National School Lunch Program	10.555	230,994	230,994
Summer Food Service Program for Children	10.559	5,582	5,582
Cash Assistance Subtotal:		<u>295,374</u>	<u>295,374</u>
Total Child Nutrition Cluster		<u>332,680</u>	<u>332,680</u>
Total U.S. Department of Agriculture		<u>332,680</u>	<u>332,680</u>
<u>U.S. DEPARTMENT OF EDUCATION</u> <i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	193,859	137,439
Special Education_Grants to States	84.027	303,538	297,882
Safe and Drug-Free Schools and Communities_State Grants	84.186	3,822	3,822
State Grants for Innovative Programs	84.298	-	754
Education Technology State Grants	84.318	1,567	2,704
Improving Teacher Quality State Grants	84.367	71,609	55,848
ARRA - Special Education Grants to States, Recovery Act	84.391	110,307	97,700
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	<u>405,380</u>	<u>311,110</u>
Total U.S. Department of Education		<u>1,090,082</u>	<u>907,259</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,422,762</u>	<u>\$ 1,239,939</u>

The accompanying notes are an integral part of this schedule.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Elgin Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Mary Taylor, CPA

Auditor of State

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

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 18, 2010.

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

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

Mary Taylor, CPA
Auditor of State

August 18, 2010



Mary Taylor, CPA

Auditor of State

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

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

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 apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Elgin Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-01 to be a material weakness.

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

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

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

Mary Taylor, CPA
Auditor of State

August 18, 2010

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<p><u>Child Nutrition Cluster</u> CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program CFDA #10.559 – Summer Food Service Program for Children</p> <p><u>Title VI-B</u> CFDA #84.027 – Special Education Grants to States CFDA #84.391 – Special Education Grants to States, Recovery Act</p> <p>CFDA #84.394 – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010
(Continued)**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**Approval of Purchase Orders
Material Weakness**

Finding Number	2010-01
CFDA Title and Number	Child Nutrition Cluster, #10.553/10.555/10.559
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

The District established internal control procedures over the purchase of goods or services whereby the District's Superintendent and Treasurer manually initial each purchase order to document both their approval of the expenditure and of the account coding. This is the District's only control over the approval of detailed expenditures.

Neither the Superintendent nor the Treasurer indicated their approval on purchase orders associated with ten percent of expenditures tested within the nutrition cluster program.

Failure to obtain the approval of the purchase of goods or services and of the account coding could lead to unauthorized or unallowable purchases being made without the timely detection of management.

We recommend the District adhere to established internal control procedures over the approval of purchases and account coding, and that this approval is documented by both the Superintendent and Treasurer manually initialing each purchase order.

Officials' Response and Corrective Action Plan

Yes, I am aware of this and corrective action for this situation began August, 2010. The process has been changed to increase the internal control of the purchase orders. The contact for this corrective action is Kim Reynolds, Treasurer.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Elgin Local School District
Marion County
4616 LaRue-Prospect Road West
Marion, Ohio 43302-8859

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on January 25, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A procedure for documenting any prohibited incident that is reported;
 - (6) A procedure for responding to and investigating any reported incident;
 - (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
- (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (2) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

August 18, 2010



Mary Taylor, CPA
Auditor of State

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
AUGUST 31, 2010**