



**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2012, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, 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 October 3, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 3, 2012

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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, 2012. 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 2012 are as follows:

In total, net assets increased \$1,961,558, or 7 percent. This is basically related to governmental activities and simply due to the excess of revenues over expenses for the fiscal year.

General revenues accounted for 80 percent of total revenues for fiscal year 2012 demonstrating the School District's significant dependence on property taxes, income 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 2012. 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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.

In the statement of net assets and the statement of activities, the School District discloses two types of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues, income tax revenues, and from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the costs of the goods or services provided. The School Age Child Care program (afterschool activities) is reported as a business-type activity.

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 - Most 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 yearend 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.

Enterprise Fund - The School District's enterprise fund is used to report the same function that is presented as a business-type activity on the government-wide financial statements and uses the accrual basis of accounting. The School District uses an enterprise fund to account for the School Age Child Care program (afterschool activities).

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 and fiscal year 2011:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
<u>Assets</u>						
Current and Other Assets	\$42,174,355	\$44,475,054	\$23	\$0	\$42,174,378	\$44,475,054
Capital Assets, Net	10,687,348	4,486,156	0	0	10,687,348	4,486,156
Total Assets	<u>52,861,703</u>	<u>48,961,210</u>	<u>23</u>	<u>0</u>	<u>52,861,726</u>	<u>48,961,210</u>
<u>Liabilities</u>						
Current and Other Liabilities	6,243,079	4,341,642	0	0	6,243,079	4,341,642
Long-Term Liabilities	17,381,267	17,343,746	0	0	17,381,267	17,343,746
Total Liabilities	<u>23,624,346</u>	<u>21,685,388</u>	<u>0</u>	<u>0</u>	<u>23,624,346</u>	<u>21,685,388</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	10,910,163	4,900,068	0	0	10,910,163	4,900,068
Restricted	14,105,981	19,571,186	0	0	14,105,981	19,571,186
Unrestricted	4,221,213	2,804,568	23	0	4,221,236	2,804,568
Total Net Assets	<u>\$29,237,357</u>	<u>\$27,275,822</u>	<u>\$23</u>	<u>\$0</u>	<u>\$29,237,380</u>	<u>\$27,275,822</u>

The above table reflects several significant changes from the prior fiscal year. The \$2.3 million decrease in current and other assets is primarily due to two factors, an increase in cash and cash equivalents (approximately \$8.3 million) as the School District continued to draw upon its State provided resources through the Ohio School Facilities Commission for school construction and a decrease in the outstanding receivable from the same source (approximately \$10.9 million). Also note the increase in net capital assets and invested in capital assets related to this ongoing construction. The increase in current and other liabilities (due to payables for construction contracts and retainage) and the decrease in restricted net assets (primarily construction resources) is also school construction related. Finally, the increase in unrestricted net assets is a reflection of the excess of revenues over expenses for the fiscal year.

For the business-type activity, there was a very small balance as of fiscal year end for the school age child care program.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2012 and fiscal year 2011.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for Services	\$1,350,654	\$1,701,399	\$15,138	\$17,391	\$1,365,792	\$1,718,790
Operating Grants, Contributions, and Interest	1,816,211	2,093,471	0	0	1,816,211	2,093,471
Capital Grants and Contributions	7,200	9,100	0	0	7,200	9,100
Total Program Revenues	3,174,065	3,803,970	15,138	17,391	3,189,203	3,821,361
General Revenues						
Property Taxes Levied for General Purposes	3,257,466	3,449,130	0	0	3,257,466	3,449,130
Property Taxes Levied for Classroom Facilities Purposes	67,391	101,983	0	0	67,391	101,983
Property Taxes Levied for Debt Service Purposes	900,286	909,348	0	0	900,286	909,348
Property Taxes Levied for Permanent Improvements	43,865	49,741	0	0	43,865	49,741
Income Taxes Levied for General Purposes	865,719	752,754	0	0	865,719	752,754
Payment in Lieu of Taxes	28,000	28,000	0	0	28,000	28,000
Grants and Entitlements	7,000,885	7,552,811	0	0	7,000,885	7,552,811
Interest	109,552	108,914	0	0	109,552	108,914
Gifts and Donations	10,206	8,872	0	0	10,206	8,872
Miscellaneous	294,831	152,998	0	0	294,831	152,998
Total General Revenues	12,578,201	13,114,551	0	0	12,578,201	13,114,551
Total Revenues	15,752,266	16,918,521	15,138	17,391	15,767,404	16,935,912
Expenses						
Instruction:						
Regular	6,044,318	6,054,819	0	0	6,044,318	6,054,819
Special	1,436,736	1,477,407	0	0	1,436,736	1,477,407
Vocational	112,161	114,884	0	0	112,161	114,884
Support Services:						
Pupils	778,678	767,388	0	0	778,678	767,388
Instructional Staff	219,611	420,928	0	0	219,611	420,928
Board of Education	46,425	48,423	0	0	46,425	48,423
Administration	1,037,100	1,125,068	0	0	1,037,100	1,125,068
Fiscal	470,928	493,398	0	0	470,928	493,398
Operation of Maintenance of Plant	955,534	1,112,268	0	0	955,534	1,112,268
Pupil Transportation	829,837	805,349	0	0	829,837	805,349
Central	8,080	118,220	0	0	8,080	118,220
Non-Instructional Services	594,477	593,503	0	0	594,477	593,503
Extracurricular Activities	353,027	350,984	0	0	353,027	350,984
Interest and Fiscal Charges	903,819	810,450	0	0	903,819	810,450
School Age Child Care	0	0	15,115	17,391	15,115	17,391
Total Expenses	13,790,731	14,293,089	15,115	17,391	13,805,846	14,310,480
Increase in Net Assets	1,961,535	2,625,432	23	0	1,961,558	2,625,432
Net Assets at Beginning of Year	27,275,822	24,650,390	0	0	27,275,822	24,650,390
Net Assets at End of Year	\$29,237,357	\$27,275,822	\$23	\$0	\$29,237,380	\$27,275,822

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

For governmental activities, there was a decrease in program revenues of over 16 percent. Charges for services decreased from lower revenue from open enrollment and operating grants and contributions decreased due to a reduction in grant resources (primarily from the Education Jobs grant program). There was also a 4 percent decrease in general revenues with the largest decrease reflected in unrestricted grants and entitlements as the tangible personal property reimbursement continued to decline and State Fiscal Stabilization Fund resources ended in fiscal year 2011.

Program expenses for governmental activities also decreased from the prior fiscal year with modest increases or decreases in all programs. As is to be expected, the instruction program represents the School District's largest expense, representing 55 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, 75 percent of all of the School District's expenses are related directly to the functions of delivering education and maintaining facilities.

There was little change for the business-type activity.

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	
	2012	2011	2012	2011
Instruction:				
Regular	\$6,044,318	\$6,054,819	\$4,970,733	\$4,305,650
Special	1,436,736	1,477,407	192,463	234,386
Vocational	112,161	114,884	35,950	31,559
Support Services:				
Pupils	778,678	767,388	778,678	762,388
Instructional Staff	219,611	420,928	219,611	420,928
Board of Education	46,425	48,423	46,425	48,423
Administration	1,037,100	1,125,068	1,037,100	1,125,068
Fiscal	470,928	493,398	470,928	493,398
Operation and Maintenance				
of Plant	955,534	1,112,268	948,334	1,103,168
Pupil Transportation	829,837	805,349	782,685	805,349
Central	8,080	118,220	8,080	118,220
Non-Instructional Services	594,477	593,503	15,607	8,910
Extracurricular Activities	353,027	350,984	206,253	221,222
Interest and Fiscal Charges	903,819	810,450	903,819	810,450
Total Expenses	<u>\$13,790,731</u>	<u>\$14,293,089</u>	<u>\$10,616,666</u>	<u>\$10,489,119</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

With the decrease in program revenues in fiscal year 2012, the costs of programs supported by general revenues, primarily taxes and school foundation resources, was slightly more 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, 32 percent of the overall instruction program is provided for through program revenues, that primarily being tuition and fees and operating grants for various educational programs. The non-instructional services program provided for nearly all program costs through program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service. The extracurricular activities program provided for almost 42 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.

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Fund balance in the General Fund increased \$1.2 million from the prior fiscal year. Although revenues decreased 3.5 percent and expenditures increased 3.7 percent, revenues were in excess of expenditures for the fiscal year.

The Classroom Facilities capital projects fund had an increase \$4.7 million in fund balance from the prior fiscal year as the School District continued to draw upon its State provided resources through the Ohio School Facilities Commission for school construction.

Business-Type Activity Financial Analysis

The School District's only business-type activity is the School Age Child Care program. For fiscal year 2012, this program had a \$23 operating income.

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 2012, the School District amended its General Fund budget as needed.

For revenues and expenditures, changes from the original budget to the final budget as well as from the final budget to actual revenues and expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$10,687,348 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of engineering and construction costs related to the new building construction. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Debt

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$16,303,509, for school construction. The school district also had outstanding loans for buses and capital leases, in the amount of \$160,511 and \$57,807, respectively. The School District's long-term obligations also include compensated absences. For further information regarding the School District's 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 the School District has been 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.

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 on earned income. This additional revenue will provide for operational needs of the School District. The current emergency levy (\$852,970) was renewed in 2011 for five years.

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. The new K-12 building is scheduled to be finished in the summer of 2013 with students starting the 2013-2014 school year at the new campus.

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, 2012**

	Governmental Activities	Business-Type Activity	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 30,861,303	\$ 23	\$ 30,861,326
Cash and Cash Equivalents			
with Fiscal Agent	736,117	-	736,117
Cash and Cash Equivalents			
with Escrow Agents	56,147	-	56,147
Accounts Receivable	14,611	-	14,611
Accrued Interest Receivable	18,049	-	18,049
Intergovernmental Receivable	4,779,070	-	4,779,070
Income Taxes Receivable	291,323	-	291,323
Payment in Lieu of Taxes Receivable	28,000	-	28,000
Prepaid Items	32,954	-	32,954
Inventory Held for Resale	10,171	-	10,171
Materials and Supplies Inventory	26,768	-	26,768
Property Taxes Receivable	5,097,190	-	5,097,190
Unamortized Bond Issuance Costs	222,652	-	222,652
Nondepreciable Capital Assets	8,391,094	-	8,391,094
Depreciable Capital Assets, Net	2,296,254	-	2,296,254
Total Assets	<u>52,861,703</u>	<u>23</u>	<u>52,861,726</u>
<u>Liabilities:</u>			
Accounts Payable	67,778	-	67,778
Accrued Wages and Benefits Payable	985,175	-	985,175
Contracts Payable	1,521,031	-	1,521,031
Matured Compensated Absences Payable	60,999	-	60,999
Separation Benefits Payable	20,000	-	20,000
Intergovernmental Payable	291,932	-	291,932
Deferred Revenue	3,024,148	-	3,024,148
Retainage Payable	203,361	-	203,361
Accrued Interest Payable	68,655	-	68,655
Long-Term Liabilities:			
Due Within One Year	814,676	-	814,676
Due in More Than One Year	16,566,591	-	16,566,591
Total Liabilities	<u>23,624,346</u>	<u>-</u>	<u>23,624,346</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	10,910,163	-	10,910,163
Restricted For:			
Capital Projects	12,453,949	-	12,453,949
Debt Service	1,069,878	-	1,069,878
Food Service	239,020	-	239,020
Classroom Facilities Maintenance	210,792	-	210,792
Athletic and Music	82,096	-	82,096
Other Purposes	50,246	-	50,246
Unrestricted	4,221,213	23	4,221,236
Total Net Assets	<u>\$ 29,237,357</u>	<u>\$ 23</u>	<u>\$ 29,237,380</u>

See Accompanying Notes to Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Program Revenues			
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 6,044,318	\$ 981,442	\$ 92,143	\$ -
Special	1,436,736	16,661	1,227,612	-
Vocational	112,161	-	76,211	-
Support Services:				
Pupils	778,678	-	-	-
Instructional Staff	219,611	-	-	-
Board of Education	46,425	-	-	-
Administration	1,037,100	-	-	-
Fiscal	470,928	-	-	-
Operation and Maintenance of Plant	955,534	-	-	7,200
Pupil Transportation	829,837	-	47,152	-
Central	8,080	-	-	-
Non-Instructional Services	594,477	232,327	346,543	-
Extracurricular Activities	353,027	120,224	26,550	-
Interest and Fiscal Charges	903,819	-	-	-
Total Governmental Activities	13,790,731	1,350,654	1,816,211	7,200
<u>Business-Type Activity</u>				
School Age Child Care	15,115	15,138	-	-
Total	\$ 13,805,846	\$ 1,365,792	\$ 1,816,211	\$ 7,200

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities
Property Taxes Levied for Debt Service
Property Taxes Levied for Permanent Improvements
Income Taxes Levied for General Purposes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets

Governmental Activities	Business-Type Activity	Total
\$ (4,970,733)	\$ -	\$ (4,970,733)
(192,463)	-	(192,463)
(35,950)	-	(35,950)
(778,678)	-	(778,678)
(219,611)	-	(219,611)
(46,425)	-	(46,425)
(1,037,100)	-	(1,037,100)
(470,928)	-	(470,928)
(948,334)	-	(948,334)
(782,685)	-	(782,685)
(8,080)	-	(8,080)
(15,607)	-	(15,607)
(206,253)	-	(206,253)
(903,819)	-	(903,819)
(10,616,666)	-	(10,616,666)
-	23	23
(10,616,666)	23	(10,616,643)
3,257,466	-	3,257,466
67,391	-	67,391
900,286	-	900,286
43,865	-	43,865
865,719	-	865,719
28,000	-	28,000
7,000,885	-	7,000,885
109,552	-	109,552
10,206	-	10,206
294,831	-	294,831
12,578,201	-	12,578,201
1,961,535	23	1,961,558
27,275,822	-	27,275,822
\$ 29,237,357	\$ 23	\$ 29,237,380

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 4,090,855	\$ 25,144,717	\$ 1,625,731	\$ 30,861,303
Cash and Cash Equivalents				
with Fiscal Agent	-	-	241	241
Accounts Receivable	14,611	-	-	14,611
Accrued Interest Receivable	954	8,765	8,330	18,049
Intergovernmental Receivable	-	4,726,252	52,818	4,779,070
Income Taxes Receivable	291,323	-	-	291,323
Payment in Lieu of Taxes Receivable	28,000	-	-	28,000
Prepaid Items	32,954	-	-	32,954
Inventory Held for Resale	5,625	-	4,546	10,171
Materials and Supplies Inventory	24,330	-	2,438	26,768
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	-	-	735,876	735,876
Cash and Cash Equivalents with Escrow Agents	-	55,322	825	56,147
Property Taxes Receivable	3,969,488	-	1,127,702	5,097,190
Total Assets	8,458,140	29,935,056	3,558,507	41,951,703
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	65,346	-	2,432	67,778
Accrued Wages and Benefits Payable	942,416	-	42,759	985,175
Contracts Payable	-	1,498,672	22,359	1,521,031
Matured Compensated Absences Payable	60,999	-	-	60,999
Intergovernmental Payable	274,253	-	17,679	291,932
Deferred Revenue	2,465,091	4,731,320	1,156,120	8,352,531
Retainage Payable	-	145,050	2,164	147,214
Payable from Restricted Assets:				
Retainage Payable	-	55,322	825	56,147
Total Liabilities	3,808,105	6,430,364	1,244,338	11,482,807
<u>Fund Balances:</u>				
Nonspendable	57,284	-	2,438	59,722
Restricted	5,625	23,504,692	2,314,927	25,825,244
Committed	76,925	-	-	76,925
Assigned	128,968	-	-	128,968
Unassigned (Deficit)	4,381,233	-	(3,196)	4,378,037
Total Fund Balances	4,650,035	23,504,692	2,314,169	30,468,896
Total Liabilities and Fund Balances	\$ 8,458,140	\$ 29,935,056	\$ 3,558,507	\$ 41,951,703

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, 2012**

Total Governmental Fund Balances		\$ 30,468,896
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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.		10,687,348
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	14,124	
Accrued Interest Receivable	13,306	
Intergovernmental Receivable	4,751,937	
Property Taxes Receivable	549,016	
		5,328,383

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		222,652
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Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds; it is reported when due.		(68,655)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

General Obligation Bonds Payable	(16,303,509)	
Loans Payable	(160,511)	
Capital Leases Payable	(57,807)	
Compensated Absences Payable	(859,440)	
Separation Benefits Payable	(20,000)	
		(17,401,267)

Net Assets of Governmental Activities		<u>\$ 29,237,357</u>
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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, 2012**

	General	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 3,197,097	\$ -	\$ 1,010,185	\$ 4,207,282
Income Taxes	865,719	-	-	865,719
Payment in Lieu of Taxes	28,000	-	-	28,000
Intergovernmental	7,056,211	10,763,283	1,871,658	19,691,152
Interest	9,726	74,392	25,415	109,533
Tuition and Fees	995,511	-	-	995,511
Extracurricular Activities	36,715	-	85,014	121,729
Charges for Services	-	-	232,327	232,327
Gifts and Donations	10,206	-	26,550	36,756
Miscellaneous	290,080	-	21,678	311,758
Total Revenues	12,489,265	10,837,675	3,272,827	26,599,767
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,858,953	-	139,156	5,998,109
Special	1,238,966	-	188,938	1,427,904
Vocational	102,387	-	8,522	110,909
Support Services:				
Pupils	537,859	-	238,350	776,209
Instructional Staff	173,326	-	47,377	220,703
Board of Education	46,425	-	-	46,425
Administration	973,327	-	69,426	1,042,753
Fiscal	407,393	23,369	28,771	459,533
Operation and Maintenance of Plant	1,013,702	-	12,300	1,026,002
Pupil Transportation	739,701	-	50,405	790,106
Central	8,080	-	-	8,080
Non-Instructional Services	-	-	591,642	591,642
Extracurricular Activities	257,805	-	90,840	348,645
Capital Outlay	9,600	6,088,012	180,019	6,277,631
Debt Service:				
Principal Retirement	-	-	46,882	46,882
Interest and Fiscal Charges	-	-	840,676	840,676
Total Expenditures	11,367,524	6,111,381	2,533,304	20,012,209
 Excess of Revenues Over Expenditures	 <u>1,121,741</u>	 <u>4,726,294</u>	 <u>739,523</u>	 <u>6,587,558</u>
<u>Other Financing Sources (Uses):</u>				
Inception of Capital Lease	57,807	-	-	57,807
Transfers In	-	-	2,000	2,000
Transfers Out	(2,000)	-	-	(2,000)
Total Other Financing Sources (Uses)	55,807	-	2,000	57,807
 Changes in Fund Balances	 1,177,548	 4,726,294	 741,523	 6,645,365
 Fund Balances at Beginning of Year	 <u>3,472,487</u>	 <u>18,778,398</u>	 <u>1,572,646</u>	 <u>23,823,531</u>
Fund Balances at End of Year	<u>\$ 4,650,035</u>	<u>\$ 23,504,692</u>	<u>\$ 2,314,169</u>	<u>\$ 30,468,896</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, 2012**

Changes in Fund Balances - Total Governmental Funds \$ 6,645,365

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 outlays exceeded depreciation in the current fiscal year:

Capital Outlay - Nodepreciable Capital Assets	6,268,184	
Capital Outlay - Depreciable Capital Assets	70,406	
Depreciation	<u>(137,398)</u>	
		6,201,192

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

Property Taxes	61,726	
Intergovernmental	(10,910,082)	
Interest	126	
Tuition and Fees	2,105	
Extracurricular Activities	(1,505)	
Miscellaneous	<u>129</u>	
		(10,847,501)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 46,882

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net assets (57,807)

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net assets. (63,143)

Compensated absences 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: 36,547

Change in Net Assets of Governmental Activities \$ 1,961,535

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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues:				
Property Taxes	\$ 3,193,523	\$ 3,157,773	\$ 3,231,720	\$ 73,947
Income Taxes	593,150	822,603	865,719	43,116
Payment in Lieu of Taxes	28,000	26,605	28,000	1,395
Intergovernmental	6,729,442	6,634,109	7,056,211	422,102
Interest	10,500	10,054	8,962	(1,092)
Tuition and Fees	1,273,911	953,021	995,473	42,452
Extracurricular Activities	44,100	43,666	36,715	(6,951)
Gifts and Donations	4,100	11,723	10,197	(1,526)
Miscellaneous	100,500	133,236	123,579	(9,657)
Total Revenues	11,977,226	11,792,790	12,356,576	563,786
Expenditures:				
Current:				
Instruction:				
Regular	5,878,790	5,900,020	5,818,618	81,402
Special	1,227,014	1,162,498	1,152,396	10,102
Vocational	111,223	97,422	93,926	3,496
Support Services:				
Pupils	549,248	599,102	527,500	71,602
Instructional Staff	304,641	212,333	199,168	13,165
Board of Education	40,575	46,535	42,349	4,186
Administration	1,070,950	1,011,809	979,884	31,925
Fiscal	379,250	470,489	413,449	57,040
Operation and Maintenance of Plant	1,061,084	1,074,083	989,816	84,267
Pupil Transportation	824,785	839,402	759,009	80,393
Central	6,480	6,655	6,544	111
Extracurricular Activities	254,005	250,123	246,522	3,601
Capital Outlay	-	22,000	22,000	-
Total Expenditures	11,708,045	11,692,471	11,251,181	441,290
Excess of Revenues Over Expenditures	269,181	100,319	1,105,395	1,005,076
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	1,000	165,861	166,061	200
Transfers Out	-	-	(2,000)	(2,000)
Total Other Financing Sources (Uses)	1,000	165,861	164,061	(1,800)
Changes in Fund Balance	270,181	266,180	1,269,456	1,003,276
Fund Balance at Beginning of Year	2,515,587	2,515,587	2,515,587	-
Prior Year Encumbrances Appropriated	142,045	142,045	142,045	-
Fund Balance at End of Year	\$ 2,927,813	\$ 2,923,812	\$ 3,927,088	\$ 1,003,276

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2012

	<u>School Age Child Care</u>
<u>Current Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>23</u>
<u>Net Assets:</u>	
Unrestricted	\$ <u>23</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>School Age Child Care</u>
<u>Operating Revenues:</u>	
Charges for Services	\$ 15,138
 <u>Operating Expenses:</u>	
Purchased Services	<u>15,115</u>
 Operating Income	23
 Net Assets at Beginning of Year	-
Net Assets at End of Year	<u><u>\$ 23</u></u>

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>School Age Child Care</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$ 15,138
Cash Payments for Goods and Services	<u>(15,115)</u>
Net Cash Provided by Operating Activities	23
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 23</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	<u><u>\$ 23</u></u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 63,712	\$ 32,398
Accounts Receivable	12,000	-
Total Assets	75,712	\$ 32,398
<u>Liabilities:</u>		
Due to Students	-	\$ 32,398
<u>Net Assets:</u>		
Held in Trust for Scholarships	65,712	
Endowment	10,000	
Total Net Assets	\$ 75,712	

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, 2012

Additions:

Interest	\$	25
Gifts and Donations		<u>14,840</u>
Total Additions		14,865

Deductions:

Non-Instructional Services		<u>13,400</u>
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Change in Net Assets 1,465

Net Assets at Beginning of Year 74,247

Net Assets at End of Year \$ 75,712

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, 2012**

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 409th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-seven classified employees, eighty-two certified teaching personnel, and eight administrative employees who provide services to 1,168 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 three jointly governed organizations and three insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, Metropolitan Educational Council, Ohio School Plan, 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 22 and 23 to the basic financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The School District does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activity or to its enterprise fund. 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).

The statement of net assets presents the financial condition of the governmental and business-type 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 and business-type 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 or business activity 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 and enterprise 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 three categories; governmental, proprietary, and fiduciary.

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 Fund - This fund accounts for resources received and restricted to expenditure for contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, change in net assets, financial position, and cash flows.

Enterprise Fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District has one enterprise fund, which is not a major fund, that accounts for the operations of an after school care program.

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 funds account 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund is included on the statement of fund net assets. The statement of revenues, expenses, and change in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise activity.

The private purpose trust funds are 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; the enterprise fund and 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 2012, but which were levied to finance fiscal year 2013 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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.

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".

Cash and cash equivalents held for the School District by US Bank, who services the School District's school facilities construction and improvement debt, and with North Central Ohio Educational Service Center are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately for the School District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agents".

During fiscal year 2012, 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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2012 was \$9,726, which includes \$1,723 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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 certain resources which are segregated from other resources of the School District to comply with various covenants established by debt financing agreements. These assets are generally held in separate accounts of the School District or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Resources set aside in separate escrow accounts, whose use is limited to the payment of retainage to contractors, are reported as restricted.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund 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. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statements when due.

M. Unamortized Issuance Costs and Bond Premiums

On government-wide financial statements, issuance costs and premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period when the debt is issued.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

N. 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.

O. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are charges for services for an after school child care program. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Q. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. 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.

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 and after nonoperating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. 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 - Accountability

At June 30, 2012, the Title VI-B and Title I special revenue funds had deficit fund balances, in the amount of \$62 and \$3,134, respectively, resulting 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of 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 restricted, committed, or assigned 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	\$1,177,548
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2011, Received in Cash FY 2012	1,872,657
Accrued FY 2012, Not Yet Received in Cash	(1,839,285)
Expenditure Accruals:	
Accrued FY 2011, Paid in Cash FY 2012	(1,127,341)
Accrued FY 2012, Not Yet Paid in Cash	1,343,014
Prepaid Items	(3,247)
Inventory Held for Resale	(1,122)
Materials and Supplies Inventory	10,999
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(163,767)</u>
Budget Basis	<u>\$1,269,456</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 5 - Deposits and Investments (continued)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$9,246,600 of the School District's bank balance of \$13,606,089 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2012, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Notes	\$850,230	11/23/12
Federal Home Loan Bank Notes	4,054,959	7/11/12
Federal Home Loan Bank Notes	825,594	11/30/12
Federal Home Loan Bank Notes	1,244,315	2/11/13
Federal Home Loan Bank Notes	2,499,775	6/17/13
Federal Home Loan Bank Notes	825,421	7/12/13
Federal Home Loan Bank Notes	719,875	9/13/19
Federal Home Loan Mortgage Corporation Notes	499,975	8/6/12
Federal Home Loan Mortgage Corporation Notes	1,651,914	11/30/12
Federal Home Loan Mortgage Corporation Notes	1,747,428	4/23/13
Federal National Mortgage Association Notes	1,661,361	10/30/12
Federal National Mortgage Association Notes	805,288	12/18/13
Mutual Funds	17,651	52 days
Mutual Funds	362	174 days
STAR Ohio	976,032	52.5 days
	<u>\$18,380,180</u>	

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 5 - Deposits and Investments (continued)

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 Home Loan Mortgage Corporation 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	\$850,230	4.63%
Federal Home Loan Bank	10,169,939	55.33
Federal Home Loan Mortgage Corporation	3,899,317	21.21
Federal National Mortgage Association	2,466,649	13.42

Note 6 - Receivables

Receivables at June 30, 2012, 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 6 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Classroom Facilities	
Ohio School Facilities Commission	\$4,726,252
Other Governmental Funds	
Other Local Grants	760
Title I	35,801
Title II-A	16,257
Total Intergovernmental Receivables	<u>\$4,779,070</u>

Note 7 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The continuous tax levy 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 8 - 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.

Note 9 - 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 9 - Property Taxes (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of June 30, 2012, 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, 2012, was \$1,546,521 in the General Fund, \$4,910 in the Bond Retirement debt service fund, and \$595 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$1,581,144 in the General Fund, \$3,339 in the Bond Retirement debt service fund, and \$409 in the Permanent Improvement capital projects 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.

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$116,405,350	82.56%	\$118,638,130	84.08%
Industrial/Commercial	14,091,440	9.99	11,677,180	8.28
Public Utility	10,506,510	7.45	10,774,870	7.64
Total Assessed Value	<u>\$141,003,300</u>	<u>100.00%</u>	<u>\$141,090,180</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.17		\$45.78	

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$322,187	\$0	\$0	\$322,187
Construction in Progress	1,800,723	6,268,184	0	8,068,907
Total Nondepreciable Capital Assets	<u>2,122,910</u>	<u>6,268,184</u>	<u>0</u>	<u>8,391,094</u>
Depreciable Capital Assets				
Land Improvements	123,158	0	0	123,158
Buildings and Building Improvements	2,461,567	0	0	2,461,567
Furniture, Fixtures, and Equipment	923,219	70,406	0	993,625
Vehicles	1,438,257	0	0	1,438,257
Total Depreciable Capital Assets	<u>4,946,201</u>	<u>70,406</u>	<u>0</u>	<u>5,016,607</u>
Less Accumulated Depreciation				
Land Improvements	(29,680)	(2,450)	0	(32,130)
Buildings and Building Improvements	(852,920)	(65,758)	0	(918,678)
Furniture, Fixtures, and Equipment	(708,748)	(27,293)	0	(736,041)
Vehicles	(991,607)	(41,897)	0	(1,033,504)
Total Accumulated Depreciation	<u>(2,582,955)</u>	<u>(137,398)</u>	<u>0</u>	<u>(2,720,353)</u>
Depreciable Capital Assets, Net	<u>2,363,246</u>	<u>(66,992)</u>	<u>0</u>	<u>2,296,254</u>
Governmental Activities Capital Assets, Net	<u>\$4,486,156</u>	<u>\$6,201,192</u>	<u>\$0</u>	<u>\$10,687,348</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$70,917
Special	1,920
Vocational	559
Support Services:	
Pupils	87
Administration	1,657
Fiscal	719
Operation and Maintenance of Plant	11,722
Pupil Transportation	41,426
Non-Instructional Services	4,009
Extracurricular Activities	4,382
Total Depreciation Expense	<u>\$137,398</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 11 - 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 2012, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Aggregate	\$7,000,000
Excess Liability	5,000,000
Automobile Liability	5,000,000
Uninsured Motorists	250,000
Building and Contents	32,252,263

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.

For the fiscal year 2012, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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.

For fiscal year 2012, 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 12 - Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2012:

Vendor	Contract Amount	Amount Paid as of 6/30/12	Outstanding Balance
Adena Corporation	\$14,046,000	\$1,212,428	\$12,833,572
Carl's Plumbing & Heating	1,579,000	266,965	1,312,035
Fanning/Howey Associates	2,000,000	489,827	1,510,173
Jeffrey Carr Construction	1,709,696	1,579,031	130,665
Vaughn Industries	4,384,000	90,346	4,293,654
Vulcan Enterprises	483,275	24,144	459,131
Westfield Electric	3,419,054	236,968	3,182,086

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 13 - Defined Benefit Pension Plans (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$636,940 for the fiscal year ended June 30, 2012, \$637,853 and \$18,807 for the fiscal year ended June 30, 2011, and \$613,398 and \$15,730 for the fiscal year ended June 30, 2010. For fiscal year 2012, 83 percent has been contributed for both the DBP and CP, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The contribution to STRS Ohio for the DCP for fiscal year 2012 is not yet available.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$174,280, \$172,234, and \$179,240, respectively. For fiscal year 2012, 44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, four of the five Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$48,995, \$51,067, and \$48,425, respectively. For fiscal year 2012, 83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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 105(e). For fiscal year 2012, .55 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 2012, this amount was \$35,800. For fiscal year 2012, the School District paid \$27,446 in surcharge.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 14 - Postemployment Benefits (continued)

The School District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 was \$7,548, \$20,855, and \$6,452, respectively. For fiscal year 2012, 44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 was \$10,292, \$11,084, and \$10,659, respectively. For fiscal year 2012, 44 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012, the liability for separation benefits was \$20,000.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 16 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Balance at 6/30/11	Additions	Reductions	Balance at 6/30/12	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
General Obligation Bonds					
School Facilities Construction and Improvement Bonds, 2010A					
Term Bonds 5.966%	\$2,040,000	\$0	\$0	\$2,040,000	\$0
School Facilities Construction and Improvement Bonds, 2010B					
Term Bonds 5.499%	11,975,000	0	0	11,975,000	0
School Facilities Construction and Improvement Bonds, 2010C					
Serial Bonds 2-3.000%	1,455,000	0	0	1,455,000	705,000
Capital Appreciation Bonds 11.210%	500,000	0	0	500,000	0
Accretion on Capital Appreciation Bonds	47,714	63,143	0	110,857	0
Bond Premium	<u>222,652</u>	<u>0</u>	<u>0</u>	<u>222,652</u>	<u>0</u>
Total General Obligation Bonds	16,240,366	63,143	0	16,303,509	705,000
Loans Payable	207,393	0	46,882	160,511	45,126
Capital Leases Payable	0	57,807	0	57,807	16,857
Compensated Absences Payable	<u>895,987</u>	<u>0</u>	<u>36,547</u>	<u>859,440</u>	<u>47,693</u>
Total Governmental Activities Long-Term Obligations	<u>\$17,343,746</u>	<u>\$120,950</u>	<u>\$83,429</u>	<u>\$17,381,267</u>	<u>\$814,676</u>

School Facilities Construction and Improvement Bonds, 2010A - On August 31, 2010, the School District issued \$2,040,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for a twenty year period, with final maturity in fiscal year 2031. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2028	\$635,000
2029	690,000

The remaining principal, in the amount of \$715,000, will be paid at stated maturity on December 1, 2030.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 16 - Long-Term Obligations (continued)

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

The bonds are subject to extraordinary optional redemption, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date in the event that the Build America payments from the federal government cease.

School Facilities Construction and Improvement Bonds, 2010B - On August 31, 2010, the School District issued \$11,795,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for a seventeen year period, with final maturity in fiscal year 2028. The bonds are being retired through the Bond Retirement debt service fund.

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

The bonds are subject to extraordinary optional redemption, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date in the event that the Treasury payments from the federal government cease.

School Facilities Construction and Improvement Bonds, 2010C - On August 31, 2010, the School District issued \$2,615,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bond issue included serial and capital appreciation bonds, in the amount of \$2,115,000 and \$500,000, respectively. The bonds were issued for a four year period, with final maturity in fiscal year 2015. The bonds are being retired through the Bond Retirement debt service fund.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature in fiscal year 2015. The maturity amount of the bonds is \$795,000. For fiscal year 2012, \$63,143 was accreted for a total bond value of \$610,857 at fiscal year end.

At June 30, 2012, the School District had unspent proceeds of \$16,188,481.

Loans Payable - On July 30, 2010, the School District entered into loan agreements with the Fahey Banking Company, in the amount of \$248,308, for the purchase of four school buses. The loans have an interest rate of 5 percent. The loans were obtained for a five year period, with final maturity in fiscal year 2016. The loans are being retired through the Permanent Improvements capital projects fund.

Capital lease obligations will be paid from the fund that maintains custody of the related asset.

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

The School District's overall debt margin was (\$3,056,635) with an unvoted debt margin of \$130,315 at June 30, 2012. 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, 2012
(Continued)**

Note 16 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2012, were as follows:

Fiscal Year Ending	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2013	\$705,000	\$813,286	\$45,126	\$6,526
2014	750,000	791,461	51,686	4,662
2015	500,000	1,075,211	54,367	1,980
2016	0	780,211	9,332	59
2017	0	780,211	0	0
2018-2022	0	3,901,055	0	0
2023-2027	0	3,901,061	0	0
2028-2031	14,015,000	470,971	0	0
	<u>\$15,970,000</u>	<u>\$12,513,467</u>	<u>\$160,511</u>	<u>\$13,227</u>

Note 17 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Operation and Maintenance of Plant" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

	Governmental Activities
Equipment	\$57,807
Less Accumulated Depreciation	(963)
Carrying Value at June 30, 2012	<u>\$56,844</u>

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

Year	Governmental Activities	
	Principal	Interest
2013	\$16,857	\$2,357
2014	17,666	1,548
2015	18,515	699
2016	4,769	37
Total	<u>\$57,807</u>	<u>\$4,641</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 acquisition and construction of capital improvements. The amount 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. This amount must be carried forward and used for the same purposes in future fiscal years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2012.

	Capital Improvements
Balance June 30, 2011	\$0
Current Year Set Aside Requirement	213,311
Qualifying Expenditures	(213,311)
Balance June 30, 2012	\$0

Note 19 - Fund Balance

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

Fund Balance	General	Classroom Facilities	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$24,330	\$0	\$2,438	\$26,768
Prepaid Items	32,954	0	0	32,954
Total Nonspendable	57,284	0	2,438	59,722
Restricted for:				
Athletics and Music	0	0	82,096	82,096
Capital Improvements	0	23,504,692	405,359	23,910,051
Community Involvement	0	0	15,770	15,770
Debt Retirement	0	0	1,345,498	1,345,498
Education Management Information Systems	0	0	3,176	3,176

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 19 - Fund Balance (continued)

Fund Balance	General	Classroom Facilities	Other Governmental	Total Governmental Funds
Restricted for (continued):				
English Proficiency	\$0	\$0	\$207	\$207
Facilities Maintenance	0	0	210,792	210,792
Food Service Operations	0	0	243,487	243,487
Inventory Held for Resale	5,625	0	0	5,625
Regular Instruction	0	0	1,335	1,335
Special Needs Children	0	0	34	34
Student Intervention	0	0	2,973	2,973
Teacher Improvement	0	0	4,200	4,200
Total Restricted	5,625	23,504,692	2,314,927	25,825,244
Committed for:				
Facilities Expansion	76,925	0	0	76,925
Assigned for:				
Instructional Materials	6,377	0	0	6,377
Student Activities	27,460	0	0	27,460
Unpaid Obligations	95,131	0	0	95,131
Total Assigned	128,968	0	0	128,968
Unassigned (Deficit)	4,381,233	0	(3,196)	4,378,037
Total Fund Balance	\$4,650,035	\$23,504,692	\$2,314,169	\$30,468,896

Note 20 - Interfund Transfers

During fiscal year 2012, the General Fund made transfers to other governmental funds, in the amount of \$2,000, to subsidize programs in other funds.

Note 21 - Donor Restricted Endowments

The School District's private purpose trust funds 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 \$65,712 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 22 - 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 Athens, Crawford, Delaware, Erie, Franklin, Knox, Licking, Lorain, Marion, Morrow, Muskingum, Union, 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 2012, the School District paid \$75,142 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The 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. Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of school districts, libraries, and related agencies. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by the entities. The governing board of the MEC consists of one representative from each member. All members 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 23 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Note 23 - 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.

C. 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.

Note 24 - Contingencies

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

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, 2012

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i>	Federal CFDA Number	Receipts	Disbursements
Program Title			
<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	\$ 40,733	\$ 40,733
Cash Assistance:			
School Breakfast Program	10.553	67,205	67,205
National School Lunch Program	10.555	227,328	227,328
Summer Food Service Program for Children	10.559	7,708	5,915
Cash Assistance Subtotal:		<u>302,241</u>	<u>300,448</u>
Total Child Nutrition Cluster		<u>342,974</u>	<u>341,181</u>
Total U.S. Department of Agriculture		<u>342,974</u>	<u>341,181</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	180,810	187,217
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	13,663	9,876
Total Title I Cluster		<u>194,473</u>	<u>197,093</u>
Special Education Cluster			
Special Education_Grants to States	84.027	283,245	282,206
ARRA-Special Education Grants to States, Recovery Act	84.391	15,251	36,404
Total Special Education Cluster		<u>298,496</u>	<u>318,610</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	10,000	10,000
Education Technology State Grants	84.318	1,184	899
Improving Teacher Quality State Grants	84.367	45,019	50,044
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	-	116,576
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	1,050	-
Education Jobs Fund	84.410	101,068	134,541
Total U.S. Department of Education		<u>651,290</u>	<u>827,763</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 994,264</u>	<u>\$ 1,168,944</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, 2012**

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.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2012. 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 intend this report solely for the information and use of management, the audit committee, the Board of Education, 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 "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 3, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Elgin Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Elgin Local School District's major federal programs for the year ended June 30, 2012. 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 opine on the District's compliance based on our audit.

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

In our opinion, Elgin Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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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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.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated October 3, 2012.

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



Dave Yost
Auditor of State

October 3, 2012

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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?	No
(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):	ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394 <u>Title I Cluster:</u> Title I Grants to Local Educational Agencies – CFDA #84.010 ARRA – Title I Grants to Local Educational Agencies, Recovery Act – CFDA #84.389 <u>Special Education Cluster:</u> Special Education Grants to States – CFDA #84.027 ARRA – Special Education Grants to States, Recovery Act – CFDA #84.391
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012
(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

None



Dave Yost • 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
NOVEMBER 8, 2012**