



Dave Yost • Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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 the Elgin Local School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 the Elgin Local School District, Marion County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as 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 financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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, 2014. 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 2014 are as follows:

In total, net position increased \$1,715,722, or almost 6 percent.

General revenues accounted for 81 percent of total revenues for fiscal year 2014 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 position 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, Bond Retirement Fund, and the Classroom Facilities Fund are the most significant funds.

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

In the statement of net position 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, the Bond Retirement 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 year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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, 2014
UNAUDITED**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013:

Table 1 Net Position		Governmental Activities	
	2014	2013	Change
<u>Assets</u>			
Current and Other Assets	\$17,028,729	\$22,338,900	(\$5,310,171)
Capital Assets, Net	34,935,007	30,119,723	4,815,284
Total Assets	51,963,736	52,458,623	(494,887)
<u>Liabilities</u>			
Current and Other Liabilities	1,830,882	3,278,547	1,447,665
Long-Term Liabilities	15,683,918	16,492,288	808,370
Total Liabilities	17,514,800	19,770,835	2,256,035
<u>Deferred Inflows of Resources</u>	2,980,470	2,935,044	(45,426)
<u>Net Position</u>			
Net Investment in Capital Assets	20,337,454	21,165,283	(827,829)
Restricted	4,782,641	3,635,535	1,147,106
Unrestricted	6,348,371	4,951,926	1,396,445
Total Net Position	\$31,468,466	\$29,752,744	\$1,715,722

The above table reflects several significant changes from the prior fiscal year. The significant decrease in current and other assets and the increase in net capital assets primarily reflects the facility construction project in association with the Ohio School Facilities Commission who is funding a substantial portion of the project. For the most part, this construction was completed during fiscal year 2014. The decrease in current and other liabilities was also largely due to completion of construction activities and a reduction in outstanding obligations to contractors as of fiscal year end. The decrease in long-term liabilities is simply annual principal retirement.

For the business-type activity, there was no 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, 2014
UNAUDITED**

Table 2 reflects the change in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$1,569,051	\$1,374,265	\$21,353	\$18,043	\$1,590,404	\$1,392,308
Operating Grants, Contributions, and Interest	1,703,014	1,714,688	0	0	1,703,014	1,714,688
Capital Grants and Contributions	5,400	7,200	0	0	5,400	7,200
Total Program Revenues	<u>3,277,465</u>	<u>3,096,153</u>	<u>21,353</u>	<u>18,043</u>	<u>3,298,818</u>	<u>3,114,196</u>
General Revenues						
Property Taxes Levied for General Purposes	3,368,543	3,353,115	0	0	3,368,543	3,353,115
Property Taxes Levied for Classroom Facilities	67,154	63,598	0	0	67,154	63,598
Property Taxes Levied for Debt Service	1,542,502	931,293	0	0	1,542,502	931,293
Property Taxes Levied for Permanent Improvements	101,294	51,465	0	0	101,294	51,465
Income Taxes Levied for General Purposes	1,047,554	990,544	0	0	1,047,554	990,544
Payment in Lieu of Taxes	28,000	28,000	0	0	28,000	28,000
Grants and Entitlements	7,223,277	6,566,253	0	0	7,223,277	6,566,253
Interest	53,015	57,170	0	0	53,015	57,170
Gifts and Donations	20,370	7,508	0	0	20,370	7,508
Miscellaneous	197,028	222,679	0	0	197,028	222,679
Total General Revenues	<u>13,648,737</u>	<u>12,271,625</u>	<u>0</u>	<u>0</u>	<u>13,648,737</u>	<u>12,271,625</u>
Total Revenues	<u>16,926,202</u>	<u>15,367,778</u>	<u>21,353</u>	<u>18,043</u>	<u>16,947,555</u>	<u>15,385,821</u>
<u>Expenses</u>						
Instruction:						
Regular	7,541,808	7,094,886	0	0	7,541,808	7,094,886
Special	1,518,150	1,416,541	0	0	1,518,150	1,416,541
Vocational	181,489	110,666	0	0	181,489	110,666
Support Services:						
Pupils	710,805	624,900	0	0	710,805	624,900
Instructional Staff	113,466	272,967	0	0	113,466	272,967
Board of Education	98,374	29,747	0	0	98,374	29,747
Administration	998,711	1,032,696	0	0	998,711	1,032,696
Fiscal	472,856	461,308	0	0	472,856	461,308
Business	22,870	16,309	0	0	22,870	16,309
Operation of Maintenance of Plant	860,499	782,331	0	0	860,499	782,331
Pupil Transportation	815,793	850,849	0	0	815,793	850,849
Central	174,333	121,138	0	0	174,333	121,138
Non-Instructional Services	539,815	590,824	0	0	539,815	590,824
Extracurricular Activities	372,806	413,560	0	0	372,806	413,560
Interest and Fiscal Charges	788,705	1,033,669	0	0	788,705	1,033,669
School Age Child Care	0	0	21,353	18,066	21,353	18,066
Total Expenses	<u>15,210,480</u>	<u>14,852,391</u>	<u>21,353</u>	<u>18,066</u>	<u>15,231,833</u>	<u>14,870,457</u>
Increase (Decrease) in Net Position	1,715,722	515,387	0	(23)	1,715,722	515,364
Net Position at Beginning of Year	29,752,744	29,237,357	0	23	29,752,744	29,237,380
Net Position at End of Year	<u>\$31,468,466</u>	<u>\$29,752,744</u>	<u>\$0</u>	<u>\$0</u>	<u>\$31,468,466</u>	<u>\$29,752,744</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

For governmental activities, the increase in program revenues from the prior fiscal year is generally due to an increase in open enrollment students attending the School District. A combination of factors contributed to the increase in general revenues. Generally, the increase in property taxes can be attributed to the county-wide property reevaluation and the effect on assessed values of property. The increase in income taxes is due to continuing economic recovery and the increase in unrestricted grants and entitlements represents an increase State foundation funding.

Program expenses for governmental activities increased a little over 2 percent from fiscal year 2013, not a significant change. As is to be expected, the instruction program represents the School District's largest expense, representing 61 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, 77 percent of all of the School District's expenses are related directly to the functions of delivering education and maintaining facilities.

Revenues were equal to expenses 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	
	2014	2013	2014	2013
Instruction:				
Regular	\$7,541,808	\$7,094,886	\$6,326,589	\$6,020,627
Special	1,518,150	1,416,541	252,528	185,571
Vocational	181,489	110,666	77,317	57,527
Support Services:				
Pupils	710,805	624,900	710,805	624,900
Instructional Staff	113,466	272,967	113,466	272,967
Board of Education	98,374	29,747	98,374	29,747
Administration	998,711	1,032,696	998,711	1,032,696
Fiscal	472,856	461,308	472,856	461,308
Business	22,870	16,309	22,870	16,309
Operation and Maintenance of Plant	860,499	782,331	855,099	775,131
Pupil Transportation	815,793	850,849	815,793	850,849
Central	174,333	121,138	174,333	121,138
Non-Instructional Services	539,815	590,824	(28,028)	(4,386)
Extracurricular Activities	372,806	413,560	253,597	278,185
Interest and Fiscal Charges	788,705	1,033,669	788,705	1,033,669
Total Expenses	<u>\$15,210,480</u>	<u>\$14,852,391</u>	<u>\$11,933,015</u>	<u>\$11,756,238</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The net costs of the School District's programs for fiscal year 2014 was very similar to the prior fiscal year (78 percent for fiscal year 2014, 79 percent for fiscal year 2013). The above table also demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, 28 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. For fiscal year, 2014, the entire cost of the non-instructional services program was provided for 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 32 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 30 percent from the prior fiscal year. Although the change in revenues and expenses was not significant, the fact that revenues increased (4 percent) and expenses decreased (3 percent) led to the positive change in fund balance.

There was an increase in fund balance in the Bond Retirement Fund as property tax collections exceeded amounts needed for debt service requirements for the current fiscal year.

Fund balance decreased \$5.7 million in the Classroom Facilities Fund as resources were spent on construction of new school facilities.

Business-Type Activity Financial Analysis

The School District's only business-type activity is the School Age Child Care program. Revenues matched expenses for fiscal year 2014.

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 2014, the School District amended its General Fund budget as needed.

For revenues and expenditures, changes from the original budget to the final budget were not significant. Actual revenues exceeded budgeted amounts by approximately \$881,000 (7 percent) primarily due to increases in property taxes and State funding as described previously. Actual expenditures were less than amounts budgeted due to conservative budgeting.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$34,935,007 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of construction costs related to building construction and a new bus. Significant disposals included the old school buildings along with land and improvements associated with those buildings, several tractors and buses, and two vans. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

Debt

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$14,831,764, for school construction. The School District also had outstanding loans for buses and capital leases, in the amount of \$59,269 and \$23,284, 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 17 and 18 to the basic financial statements.

Current Issues

Elgin Local School District is a residential/farming community. The School District has generally seen a decline in student enrollment in prior years; however, the School District expects enrollment to stabilize over the next couple of years. 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 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 to evaluate those programs and look for alternatives to keep these students in our School District and to use our money more efficiently.

In 2009, the voters of the School District approved a .75 percent income tax levy. This is a continuing tax to be collected on earned income. This revenue provides for the operational needs of the School District. The current emergency levy (\$852,970) was renewed in 2011 for five years.

In 2009, the voters of the School District also approved a 7.49 mill bond levy. This revenue was used to construct a new instructional building (K-12) in conjunction with the Ohio School Facilities Commission. The new building opened in September 2013. The voters also approved a 1 mill permanent improvement levy of which .5 mills will be used for maintenance of the new building and the other .5 mills will be used for various permanent improvements in the School District.

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 POSITION
JUNE 30, 2014**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,521,130
Cash and Cash Equivalents with Fiscal Agent	748,518
Cash and Cash Equivalents with Escrow Agents	225,250
Accounts Receivable	22,929
Accrued Interest Receivable	10,460
Intergovernmental Receivable	890,245
Income Taxes Receivable	302,303
Payment in Lieu of Taxes Receivable	40,000
Inventory Held for Resale	14,379
Materials and Supplies Inventory	15,533
Property Taxes Receivable	5,237,982
Nondepreciable Capital Assets	428,119
Depreciable Capital Assets, Net	34,506,888
Total Assets	51,963,736
 <u>Liabilities:</u>	
Accounts Payable	29,230
Accrued Wages and Benefits Payable	973,391
Contracts Payable	276,773
Intergovernmental Payable	234,154
Retainage Payable	252,316
Accrued Interest Payable	65,018
Long-Term Liabilities:	
Due Within One Year	621,511
Due in More Than One Year	15,062,407
Total Liabilities	17,514,800
 <u>Deferred Inflows of Resources</u>	
Property Taxes	2,940,470
Payment in Lieu of Taxes	40,000
Total Deferred Inflows of Resources	2,980,470
 <u>Net Position:</u>	
Net Investment in Capital Assets	20,337,454
Restricted For:	
Capital Projects	1,993,134
Debt Service	2,080,939
Food Service	287,868
Classroom Facilities Maintenance	317,981
Other Purposes	102,719
Unrestricted	6,348,371
Total Net Position	\$ 31,468,466

See Accompanying Notes to Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 7,541,808	\$ 1,154,882	\$ 60,337	\$ -
Special	1,518,150	95,173	1,170,449	-
Vocational	181,489	-	104,172	-
Support Services:				
Pupils	710,805	-	-	-
Instructional Staff	113,466	-	-	-
Board of Education	98,374	-	-	-
Administration	998,711	-	-	-
Fiscal	472,856	-	-	-
Business	22,870	-	-	-
Operation and Maintenance of Plant	860,499	-	-	5,400
Pupil Transportation	815,793	-	-	-
Central	174,333	-	-	-
Non-Instructional Services	539,815	216,903	350,940	-
Extracurricular Activities	372,806	102,093	17,116	-
Interest and Fiscal Charges	788,705	-	-	-
Total Governmental Activities	15,210,480	1,569,051	1,703,014	5,400
<u>Business-Type Activity</u>				
School Age Child Care	21,353	21,353	-	-
Total	\$ 15,231,833	\$ 1,590,404	\$ 1,703,014	\$ 5,400

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 Position

Net Position at Beginning of Year - Restated (Note 3)

Net Position at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Position

Governmental Activities	Business-Type Activity	Total
\$ (6,326,589)	\$ -	\$ (6,326,589)
(252,528)	-	(252,528)
(77,317)	-	(77,317)
(710,805)	-	(710,805)
(113,466)	-	(113,466)
(98,374)	-	(98,374)
(998,711)	-	(998,711)
(472,856)	-	(472,856)
(22,870)	-	(22,870)
(855,099)	-	(855,099)
(815,793)	-	(815,793)
(174,333)	-	(174,333)
28,028	-	28,028
(253,597)	-	(253,597)
(788,705)	-	(788,705)
(11,933,015)	-	(11,933,015)
-	-	-
(11,933,015)	-	(11,933,015)
3,368,543	-	3,368,543
67,154	-	67,154
1,542,502	-	1,542,502
101,294	-	101,294
1,047,554	-	1,047,554
28,000	-	28,000
7,223,277	-	7,223,277
53,015	-	53,015
20,370	-	20,370
197,028	-	197,028
13,648,737	-	13,648,737
1,715,722	-	1,715,722
29,752,744	-	29,752,744
\$ 31,468,466	\$ -	\$ 31,468,466

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$ 6,451,602	\$ 944,599	\$ 1,165,079	\$ 959,850	\$ 9,521,130
Cash and Cash Equivalents					
with Fiscal Agent	-	-	-	210	210
Accounts Receivable	22,854	-	-	75	22,929
Accrued Interest Receivable	2,077	8,250	133	-	10,460
Intergovernmental Receivable	-	-	818,212	72,033	890,245
Income Taxes Receivable	302,303	-	-	-	302,303
Payment in Lieu of Taxes Receivable	40,000	-	-	-	40,000
Inventory Held for Resale	-	-	-	14,379	14,379
Materials and Supplies Inventory	13,662	-	-	1,871	15,533
<u>Restricted Assets:</u>					
Cash and Cash Equivalents with Fiscal Agent	-	748,308	-	-	748,308
Cash and Cash Equivalents with Escrow Agents	-	-	221,939	3,311	225,250
Property Taxes Receivable	3,887,867	1,213,914	-	136,201	5,237,982
Total Assets	\$ 10,720,365	\$ 2,915,071	\$ 2,205,363	\$ 1,187,930	\$ 17,028,729
<u>Liabilities</u>					
Accounts Payable	\$ 25,629	\$ -	\$ -	\$ 3,601	\$ 29,230
Accrued Wages and Benefits Payable	916,474	-	-	56,917	973,391
Contracts Payable	-	-	246,522	30,251	276,773
Intergovernmental Payable	217,910	-	-	16,244	234,154
Retainage Payable	-	-	4,287	22,779	27,066
<u>Payable from Restricted Assets:</u>					
Retainage Payable	-	-	221,939	3,311	225,250
Total Liabilities	1,160,013	-	472,748	133,103	1,765,864
<u>Deferred Inflows of Resources</u>					
Property Taxes	2,144,743	712,171	-	83,556	2,940,470
Payment in Lieu of Taxes	40,000	-	-	-	40,000
Unavailable Revenue	411,374	122,164	818,212	82,738	1,434,488
Total Deferred Inflows of Resources	2,596,117	834,335	818,212	166,294	4,414,958
<u>Fund Balances:</u>					
Nonspendable	13,662	-	-	1,871	15,533
Restricted	-	2,080,736	914,403	916,629	3,911,768
Committed	76,925	-	-	-	76,925
Assigned	356,002	-	-	-	356,002
Unassigned (Deficit)	6,517,646	-	-	(29,967)	6,487,679
Total Fund Balances	6,964,235	2,080,736	914,403	888,533	10,847,907
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,720,365	\$ 2,915,071	\$ 2,205,363	\$ 1,187,930	\$ 17,028,729

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances	\$ 10,847,907
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Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,935,007
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Accounts Receivable	922	
Accrued Interest Receivable	30,835	
Intergovernmental Receivable	889,127	
Delinquent Property Taxes Receivable	<u>513,604</u>	
		1,434,488

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.	(65,018)
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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	(14,831,764)	
Loans Payable	(59,269)	
Capital Leases Payable	(23,284)	
Compensated Absences Payable	<u>(769,601)</u>	
		<u>(15,683,918)</u>

Net Position of Governmental Activities	<u>\$ 31,468,466</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, 2014**

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Revenues:					
Property Taxes	\$ 3,499,411	\$ 1,428,588	\$ -	\$ 156,625	\$ 5,084,624
Income Taxes	1,047,554	-	-	-	1,047,554
Payment in Lieu of Taxes	28,000	-	-	-	28,000
Intergovernmental	7,240,106	737,336	266,439	889,308	9,133,189
Interest	17,330	31,653	3,229	2,145	54,357
Tuition and Fees	1,171,232	-	-	-	1,171,232
Extracurricular Activities	32,584	-	-	69,719	102,303
Charges for Services	63,574	-	-	216,745	280,319
Gifts and Donations	20,370	-	-	30,806	51,176
Miscellaneous	124,272	-	-	4,006	128,278
Total Revenues	13,244,433	2,197,577	269,668	1,369,354	17,081,032
Expenditures:					
Current:					
Instruction:					
Regular	6,004,299	-	-	60,821	6,065,120
Special	1,262,496	-	-	266,614	1,529,110
Vocational	174,631	-	-	8,181	182,812
Support Services:					
Pupils	467,657	-	-	230,862	698,519
Instructional Staff	130,572	-	-	45	130,617
Board of Education	34,646	-	-	-	34,646
Administration	991,890	-	-	7,309	999,199
Fiscal	430,258	36,536	3,656	4,218	474,668
Business	22,842	-	-	-	22,842
Operation and Maintenance of Plant	818,954	-	-	36,334	855,288
Pupil Transportation	882,445	-	-	3,210	885,655
Central	174,112	-	-	-	174,112
Non-Instructional Services	-	-	-	524,686	524,686
Extracurricular Activities	269,541	-	-	87,790	357,331
Capital Outlay	23,082	-	5,993,390	272,695	6,289,167
Debt Service:					
Principal Retirement	17,666	750,000	-	51,901	819,567
Interest and Fiscal Charges	1,548	791,461	-	4,446	797,455
Total Expenditures	11,706,639	1,577,997	5,997,046	1,559,112	20,840,794
Excess of Revenues Over (Under) Expenditures	1,537,794	619,580	(5,727,378)	(189,758)	(3,759,762)
Other Financing Sources (Uses):					
Sale of Capital Assets	74,978	-	-	-	74,978
Transfers In	-	-	-	3,000	3,000
Transfers Out	(3,000)	-	-	-	(3,000)
Total Other Financing Sources (Uses)	71,978	-	-	3,000	74,978
Changes in Fund Balances	1,609,772	619,580	(5,727,378)	(186,758)	(3,684,784)
Fund Balances at Beginning of Year	5,354,463	1,461,156	6,641,781	1,075,291	14,532,691
Fund Balances at End of Year	\$ 6,964,235	\$ 2,080,736	\$ 914,403	\$ 888,533	\$ 10,847,907

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, 2014**

Changes in Fund Balances - Total Governmental Funds \$ (3,684,784)

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	5,479,912	
Capital Outlay - Depreciable Capital Assets	160,429	
Depreciation	<u>(99,133)</u>	
		5,541,208

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

Proceeds from Sale of Capital Assets	(74,978)	
Gain on Disposal of Capital Assets	70,193	
Loss on Disposal of Capital Assets	<u>(721,139)</u>	
		(725,924)

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

Delinquent Property Taxes	(5,131)	
Intergovernmental	(232,960)	
Interest	(896)	
Tuition and Fees	<u>13,964</u>	
		(225,023)

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

General Obligation Bonds	750,000	
Loans	51,901	
Capital Leases	<u>17,666</u>	
		819,567

Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position.

Accrued Interest	1,875	
Annual Accretion on Capital Appreciation Bonds	(78,542)	
Amortization of Premium	<u>85,417</u>	
		8,750

Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.

(18,072)

Change in Net Position of Governmental Activities \$ 1,715,722

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, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$ 3,369,325	\$ 3,369,325	\$ 3,657,431	\$ 288,106
Income Taxes	995,000	973,418	1,035,483	62,065
Payment in Lieu of Taxes	28,000	26,322	28,000	1,678
Intergovernmental	6,866,709	6,803,579	7,240,106	436,527
Interest	20,000	18,820	19,684	864
Tuition and Fees	1,115,000	1,083,649	1,170,963	87,314
Extracurricular Activities	30,000	34,660	32,584	(2,076)
Charges for Services	-	59,763	63,574	3,811
Gifts and Donations	9,000	19,891	20,370	479
Miscellaneous	182,690	126,128	128,422	2,294
Total Revenues	<u>12,615,724</u>	<u>12,515,555</u>	<u>13,396,617</u>	<u>881,062</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,704,865	6,302,269	6,221,079	81,190
Special	1,276,600	1,314,700	1,293,337	21,363
Vocational	175,385	170,643	163,876	6,767
Support Services:				
Pupils	540,057	496,152	469,445	26,707
Instructional Staff	93,006	184,925	178,045	6,880
Board of Education	37,675	27,999	24,397	3,602
Administration	1,063,232	1,074,676	1,046,663	28,013
Fiscal	432,501	522,853	438,791	84,062
Business	17,825	26,775	22,842	3,933
Operation and Maintenance of Plant	874,784	1,031,864	891,591	140,273
Pupil Transportation	1,125,172	1,008,372	970,444	37,928
Central	114,210	259,395	245,530	13,865
Extracurricular Activities	262,740	277,113	270,011	7,102
Capital Outlay	-	23,082	23,082	-
Total Expenditures	<u>12,718,052</u>	<u>12,720,818</u>	<u>12,259,133</u>	<u>461,685</u>
Excess of Revenues Over (Under) Expenditures	<u>(102,328)</u>	<u>(205,263)</u>	<u>1,137,484</u>	<u>1,342,747</u>
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	65,000	146,133	74,978	(71,155)
Refund of Prior Year Expenditures	19,276	26,009	26,009	-
Advances In	-	493	493	-
Transfers In	-	13,811	-	(13,811)
Transfers Out	-	-	(3,000)	(3,000)
Total Other Financing Sources (Uses)	<u>84,276</u>	<u>186,446</u>	<u>98,480</u>	<u>(87,966)</u>
Changes in Fund Balance	(18,052)	(18,817)	1,235,964	1,254,781
Fund Balance at Beginning of Year	4,691,277	4,691,277	4,691,277	-
Prior Year Encumbrances Appropriated	163,052	163,052	163,052	-
Fund Balance at End of Year	<u>\$ 4,836,277</u>	<u>\$ 4,835,512</u>	<u>\$ 6,090,293</u>	<u>\$ 1,254,781</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>School Age Child Care</u>
<u>Operating Revenues:</u>	
Charges for Services	\$ 21,353
<u>Operating Expenses:</u>	
Purchased Services	<u>21,353</u>
Operating Income	-
Net Position at Beginning of Year	-
Net Position at End of Year	<u><u>\$ -</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, 2014

	<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	\$ 21,353
Cash Payments for Goods and Services	<u>(21,353)</u>
Net Cash Provided by Operating Activities	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ -</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	<u><u>\$ -</u></u>
See Accompanying Notes to the Basic Financial Statements	

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 79,189	\$ <u>38,376</u>
<u>Liabilities:</u>		
Due to Students	-	\$ 38,376
<u>Net Position:</u>		
Held in Trust for Scholarships	69,189	
Endowment	10,000	
Total Net Position	\$ 79,189	

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Additions:

Interest	\$	14
Gifts and Donations		<u>18,990</u>
Total Additions		19,004

Deductions:

Non-Instructional Services		<u>14,400</u>
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Change in Net Position 4,604

Net Position at Beginning of Year 74,585

Net Position at End of Year \$ 79,189

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 421st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by forty-eight classified employees, eighty certified teaching personnel, and ten administrative employees who provide services to 1,149 students and other community members. The School District currently operates one instructional building 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Elgin Local School District.

The School District participates in three jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, Metropolitan Educational Council, 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 23 and 24 to the basic financial statements.

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. Following are the more significant of the School District's accounting policies.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 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 position 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.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Funds

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes and related revenues restricted for the payment of principal and interest on general obligation bonds.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account 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 position, 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 position and changes in net position. 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, 2014
(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 position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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 are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. 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, recording of deferred inflows of resources, 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, 2014
(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 Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The School District did not report any deferred outflows of resources for fiscal year 2014.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources consists of property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes accrued interest, intergovernmental revenue including grants, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the Board 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 2014, the School District invested in nonnegotiable and negotiable 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, 2014.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$17,330 which includes \$8,129 assigned from other School District funds.

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

G. Inventory

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

H. 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.

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.

I. 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 position 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

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	50 - 100 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 15 years

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable 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.

K. 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.

L. Unamortized Bond Premiums

On government-wide financial statements, premiums are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable.

On the governmental fund financial statements, 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, 2014
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes 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 position is available.

N. 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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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.

O. 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.

P. 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.

Q. 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 3 - Restatement of Net Position

In the prior fiscal year, the School District overstated the receivable for grant resources from the Ohio School Facilities Commission related to the construction of the new instructional building. The restatement had the following effect on net position.

	Total Governmental Activities
Net Position at June 30, 2013	<u>\$30,123,783</u>
Intergovernmental Receivable	<u>(371,039)</u>
Restated Net Position at June 30, 2013	<u><u>\$29,752,744</u></u>

Note 4 - Accountability

At June 30, 2014, the Title VI-B and Title I special revenue funds had deficit fund balances, in the amount of \$10,075 and \$19,892, 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.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 5 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	\$1,609,772
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2013, Received in Cash FY 2014	1,834,645
Accrued FY 2014, Not Yet Received in Cash	(1,658,984)
Expenditure Accruals:	
Accrued FY 2013, Paid in Cash FY 2014	(1,382,488)
Accrued FY 2014, Not Yet Paid in Cash	1,160,013
Cash Adjustments:	
Unrecorded Activity FY 2014	2,532
Prepaid Items	29,000
Inventory Held for Resale	1,648
Materials and Supplies Inventory	3,174
Advances In	493
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(363,841)
Budget Basis	\$1,235,964

Note 6 - Deposits and Investments

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

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 6 - Deposits and Investments (continued)

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptance if training requirements have been met.

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

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, \$1,609,917 of the School District's bank balance of \$6,613,032 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2014, the School District had the following investments:

	Fair Value	Maturity
Negotiable Certificates of Deposit	\$249,565	3/18/15
Negotiable Certificates of Deposit	249,528	9/21/15
Negotiable Certificates of Deposit	249,468	3/21/16
Negotiable Certificates of Deposit	248,907	6/20/16
Federal Home Loan Bank Notes	678,306	9/13/19
Mutual Funds	70,002	24 Days
Mutual Funds	3,317	40 Days
STAR Ohio	2,396,722	51.4 Days
	\$4,145,815	

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 negotiable certificates of deposit are covered by FDIC insurance. The Federal Home Loan Bank Notes and mutual funds carry a rating of Aaa or 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
Negotiable Certificates of Deposit	\$997,468	24.06%
Federal Home Loan Bank	678,306	16.36

Note 7 - Receivables

Receivables at June 30, 2014, 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, 2014
(Continued)**

Note 7 - Receivables (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Classroom Facilities	
Ohio School Facilities Commission	<u>\$818,212</u>
Other Governmental Funds	
Other Grants	3,337
Title VI-B	25,884
Title I	<u>42,812</u>
Total Other Governmental Funds	<u>72,033</u>
Total Intergovernmental Receivables	<u><u>\$890,245</u></u>

Note 8 - Income Taxes

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The 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 9 - Payment in Lieu of Taxes

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

Note 10 - Property Taxes

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 10 - 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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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, 2014, are available to finance fiscal year 2014 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, 2014, 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 inflows of resources - property taxes.

The amount available as an advance at June 30, 2014, was \$1,355,257 in the General Fund, \$387,829 in the Bond Retirement fund, and \$40,822 in the Permanent Improvement fund. The amount available as an advance at June 30, 2013, was \$1,513,277 in the General Fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On a modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$119,143,840	83.75%	\$146,559,170	86.32%
Industrial/Commercial	11,317,010	7.95	10,798,500	6.36
Public Utility	11,811,790	8.30	12,433,460	7.32
Total Assessed Value	<u>\$142,272,640</u>	<u>100.00%</u>	<u>\$169,791,130</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.75		\$44.86	

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$322,187	\$0	(\$88,236)	\$233,951
Construction in Progress	28,157,796	5,479,912	(33,443,540)	194,168
Total Nondepreciable Capital Assets	<u>28,479,983</u>	<u>5,479,912</u>	<u>(33,531,776)</u>	<u>428,119</u>
Depreciable Capital Assets				
Land Improvements	123,158	0	(20,614)	102,544
Buildings and Building Improvements	1,719,769	33,121,706	(1,061,761)	33,779,714
Furniture, Fixtures, and Equipment	459,008	392,031	(236,461)	614,578
Vehicles	1,456,797	90,232	(305,841)	1,241,188
Total Depreciable Capital Assets	<u>3,758,732</u>	<u>33,603,969</u>	<u>(1,624,677)</u>	<u>35,738,024</u>
Less Accumulated Depreciation				
Land Improvements	(34,516)	(1,974)	11,735	(24,755)
Buildings and Building Improvements	(693,847)	(35,456)	482,977	(246,326)
Furniture, Fixtures, and Equipment	(315,822)	(19,648)	186,436	(149,034)
Vehicles	(1,074,807)	(42,055)	305,841	(811,021)
Total Accumulated Depreciation	<u>(2,118,992)</u>	<u>(99,133)</u>	<u>986,989</u>	<u>(1,231,136)</u>
Depreciable Capital Assets, Net	<u>1,639,740</u>	<u>33,504,836</u>	<u>(637,688)</u>	<u>34,506,888</u>
Governmental Activities Capital Assets, Net	<u>\$30,119,723</u>	<u>\$38,984,748</u>	<u>(\$34,169,464)</u>	<u>\$34,935,007</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$31,680
Special	1,281
Vocational	1,219
Support Services:	
Pupils	351
Instructional Staff	441
Board of Education	28
Administration	2,341
Operation and Maintenance of Plant	5,409
Pupil Transportation	41,100
Central	221
Non-Instructional Services	4,838
Extracurricular Activities	10,224
Total Depreciation Expense	<u>\$99,133</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage.

Coverage is as follows:

General Liability	
Aggregate	\$2,000,000
Excess Liability	4,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Building and Contents	40,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There was a significant reduction in all of the liability insurance coverage from the prior fiscal year due to the change in the School District's capital asset inventory (completion and occupancy of the new building and disposal of old buildings).

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 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 13 - Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2014:

Vendor	Contract Amount	Amount Paid as of 6/30/14	Outstanding Balance
Adena Corporation	\$228,886	\$0	\$228,886
Cardinal Bus Sales	93,205	0	93,205
Carl's Plumbing & Heating	873,370	854,085	19,285

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 13 - Contractual Commitments (continued)

Vendor	Contract Amount	Amount Paid as of 6/30/14	Outstanding Balance
Continental Office Furniture	\$274,621	\$247,079	\$27,542
Fire Fighter Sales & Service	78,030	50,749	27,281
GPD Group	44,294	0	44,294
John Deere Company	19,000	0	19,000
Martin Public Seating	185,730	157,189	28,541
Mays Consulting & Evaluation	29,302	9,486	19,816
Regal Plumbing	24,497	0	24,497
Salenbien Trucking and Excavating	553,283	411,906	141,377
Stan & Associates, Inc.	56,377	36,204	20,173
Stevens Construction, Inc.	95,261	53,833	41,428
Tom Sexton & Associates	345,526	298,986	46,540
Valley Electrical	25,260	0	25,260
Vaughn Industries	24,276	0	24,276
Vulcan Enterprises	483,275	465,241	18,034
Westfield Electric	3,723,772	3,487,067	236,705

At fiscal year end, the amount of encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$363,841
Classroom Facilities Fund	821,113
Other Governmental Funds	232,952
Total	\$1,417,906

Note 14 - 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

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

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

Funding Policy - 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. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 \$594,347 and \$21,333 for the fiscal year ended June 30, 2014, \$620,203 and \$20,571 for the fiscal year ended June 30, 2013, and \$605,541 and \$19,406 for the fiscal year ended June 30, 2012. For fiscal year 2014, 86 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 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$8,263 made by the School District and \$6,493 made by the plan members. In addition, member contributions of \$16,762 were made for fiscal year 2014 for the defined contribution portion of the CP.

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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 14 - Defined Benefit Pension Plans (continued)

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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 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, 2014, 2013, and 2012 was \$165,852, \$182,880, and \$174,280, respectively. For fiscal year 2014, 60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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, 2013, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 15 - 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 2014, 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, 2014, 2013, and 2012 was \$47,996, \$50,269, and \$48,995, respectively. For fiscal year 2014, 86 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 15 - Postemployment Benefits (continued)

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 2013, .14 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 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$25,322 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.

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$1,772, \$2,234, and \$7,548, respectively. For fiscal year 2014, 60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$9,622, \$10,331, and \$10,292, respectively. For fiscal year 2014, 60 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Note 16 - 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 16 - Other Employee Benefits (continued)

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 seventy days for certified employees. Upon retirement, classified employees will receive payment for one-third of accrued but unused sick leave credit to a maximum of eighty six and two-thirds days and certified employees will receive payment for one-fourth of accrued but unused sick leave credit to a maximum of sixty seven and one-half days.

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. For fiscal year 2014, eligible certified employees will be paid \$8,000 and eligible classified employees will be paid \$4,000. 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. There was no liability for separation benefits at June 30, 2014.

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	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%	750,000	0	750,000	0	0

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 17 - Long-Term Obligations (continued)

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities (continued)					
General Long-Term Obligations (continued)					
General Obligation Bonds (continued)					
Capital Appreciation Bonds					
11.210%	\$500,000	\$0	\$0	\$500,000	\$500,000
Accretion on Capital Appreciation Bonds	181,279	78,542	0	259,821	0
Bond Premium	142,360	0	85,417	56,943	0
Total General Obligation Bonds	15,588,639	78,542	835,417	14,831,764	500,000
Loans Payable	111,170	0	51,901	59,269	49,937
Capital Leases Payable	40,950	0	17,666	23,284	18,515
Compensated Absences Payable	751,529	209,464	191,392	769,601	53,059
Total Governmental Activities Long-Term Obligations	\$16,492,288	\$288,006	\$1,096,376	\$15,683,918	\$621,511

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.

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.

**ELGIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 17 - Long-Term Obligations (continued)

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 2014, \$78,542 was accreted for a total bond value of \$759,821 at fiscal year end.

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 \$1,689,085 with an unvoted debt margin of \$157,585 at June 30, 2014.

**ELGIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 17 - Long-Term Obligations (continued)

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2014, were as follows:

Fiscal Year Ending	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2015	\$500,000	\$1,075,211	\$49,937	\$1,714
2016	0	780,211	9,332	59
2017	0	780,211	0	0
2018	0	780,211	0	0
2019	0	780,211	0	0
2020-2024	0	3,901,056	0	0
2025-2029	12,610,000	2,727,039	0	0
2030-2031	1,405,000	84,570	0	0
	<u>\$14,515,000</u>	<u>\$10,908,720</u>	<u>\$59,269</u>	<u>\$1,773</u>

Note 18 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in fiscal year 2014 were \$17,666.

	Governmental Activities
Equipment	\$57,807
Less Accumulated Depreciation	(24,084)
Carrying Value at June 30, 2014	<u>\$33,723</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, 2014.

Year	Governmental Activities	
	Principal	Interest
2015	\$18,515	\$699
2016	4,769	37
Total	<u>\$23,284</u>	<u>\$736</u>

**ELGIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 19 - 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 purpose in future fiscal years.

The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

	Capital Improvements
Balance June 30, 2013	\$0
Current Year Set Aside Requirement	192,437
Qualifying Expenditures	(141,257)
Current Year Offsets	(51,180)
Balance June 30, 2014	\$0

Note 20 - 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	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Nonspendable for:					
Materials and Supplies Inventory	\$13,662	\$0	\$0	\$1,871	\$15,533
Restricted for:					
Athletics and Music	0	0	0	32,607	32,607
Capital Improvements	0	0	914,403	248,696	1,163,099
Community Involvement	0	0	0	23,523	23,523
Debt Retirement	0	2,080,736	0	0	2,080,736
Facilities Maintenance	0	0	0	317,981	317,981
Food Service Operations	0	0	0	288,181	288,181

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 20 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Restricted for (continued):					
Regular Instruction	\$0	\$0	\$0	\$1,118	\$1,118
Special Needs Children	0	0	0	210	210
Student Intervention	0	0	0	2,973	2,973
Teacher Improvement	0	0	0	920	920
Vocational Instruction	0	0	0	420	420
Total Restricted	<u>0</u>	<u>2,080,736</u>	<u>914,403</u>	<u>916,629</u>	<u>3,911,768</u>
Committed for:					
Facilities Expansion	<u>76,925</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>76,925</u>
Assigned for:					
Instructional Materials	269	0	0	0	269
Regular Instruction	349	0	0	0	349
Student Activities	14,273	0	0	0	14,273
Unpaid Obligations	<u>341,111</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>341,111</u>
Total Assigned	<u>356,002</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>356,002</u>
Unassigned (Deficit)	<u>6,517,646</u>	<u>0</u>	<u>0</u>	<u>(29,967)</u>	<u>6,487,679</u>
Total Fund Balance	<u>\$6,964,235</u>	<u>\$2,080,736</u>	<u>\$914,403</u>	<u>\$888,533</u>	<u>\$10,847,907</u>

Note 21 - Interfund Transfers

During fiscal year 2014, the General Fund made transfers to other governmental funds, in the amount of \$3,000, subsidize operations in other funds.

Note 22 - Donor Restricted Endowments

The School District's private purpose trust funds include 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 \$69,189 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, 2014
(Continued)**

Note 23 - 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 2014, the School District paid \$57,793 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 24 - Insurance Pools

A. 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

Note 24 - Insurance Pools (continued)

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.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' 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 25 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014

<u>FEDERAL GRANTOR</u> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 45,159	\$ 45,159
Cash Assistance:			
School Breakfast Program	10.553	52,503	52,503
National School Lunch Program	10.555	235,028	235,028
Summer Food Service Program for Children	10.559	12,065	7,055
Cash Assistance Subtotal:		<u>299,596</u>	<u>294,586</u>
Total Child Nutrition Cluster		<u>344,755</u>	<u>339,745</u>
Total U.S. Department of Agriculture		<u>344,755</u>	<u>339,745</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	217,494	207,115
Special Education_Grants to States	84.027	277,254	277,254
Improving Teacher Quality State Grants	84.367	59,280	42,391
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>1,050</u>	<u>1,658</u>
Total U.S. Department of Education		<u>555,078</u>	<u>528,418</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 899,833</u>	<u>\$ 868,163</u>

The accompanying notes are an integral part of this schedule.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the 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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elgin Local School District, Marion County, Ohio, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 21, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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:

Report on Compliance for the Major Federal Program

We have audited the Elgin Local School District's, Marion County, Ohio, (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Elgin Local School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Nutrition Cluster

As described in finding 2014-001 in the accompanying schedule of findings, the District did not comply with requirements regarding Paid Lunch Equity Special Tests and Provisions applicable to its Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on the Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Nutrition Cluster* paragraph, the Elgin Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Nutrition Cluster* for the year ended June 30, 2014.

Other Matters

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-001 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2014

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**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014
(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

**Paid Lunch Equity Calculation – Special Tests and Provisions
Material Weakness/Material Non-Compliance**

Finding Number	2014-001
CFDA Title and Number	Child Nutrition Cluster – CFDA #10.553, 10.555, 10.559
Federal Award Number / Year	2014
Federal Agency	US Department of Agriculture
Pass-Through Agency	Ohio Department of Education

7 C.F.R. 210.14 provides that for each school year the District must establish a price for paid lunches in accordance with a weighted average price calculation. The objective is to ensure an adequate price for paid lunches is set to sustain the District’s food service operations. Guidance on this calculation can be found on the United States Department of Agriculture’s website at <http://www.fns.usda.gov/cnd/governance/Policy-Memos/2012/SP22-2012os.pdf>.

The District had no controls in place to ensure the calculation was completed or that the paid lunch price met the requirements. Although management contends the calculation described above was performed for fiscal year 2014, the District did not maintain documentation of its calculation and the fiscal year 2014 lunch prices did not comply with this requirement.

Lack of internal control procedures do not allow management to ensure the paid lunch equity calculation is being completed, and whether any changes to lunch prices are required.

We recommend the District implement controls to perform this annual weighted average calculation and maintain documentation of its calculation. If after completing this calculation lunch prices need adjusted the Board of Education should approve applicable changes to lunch prices through formal action.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	<p>The calculation error occurred because the Director of Food Service was not aware this was a mandate and did not present it accurately to the Board of Education in the prior year.</p> <p>The Treasurer met with the Director of Food Service, the employee that is responsible for inputting and calculating the information into the system to ensure complete understanding of the weighted average price calculation; the yearly waiver was also discussed.</p> <p>The Director of Food Service contacted the Ohio Department of Education regarding the calculation for FY14 and also verified the FY15 calculation was done correctly.</p> <p>Prices will be raised \$.25 for lunch and breakfast for FY15. The Superintendent will verify annually with the Director of Food Service that the weighted average price calculation has been completed. The Director of Food Service will be responsible for keeping the calculation on file.</p>	August 1, 2014	Teresa Vermillion, Director of Food Service

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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
SEPTEMBER 9, 2014**