



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  
1239 Keener Road South  
Marion, Ohio 43302

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio (the District), as of and for the year ended June 30, 2015, 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, each major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2015, and the respective changes in financial position 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.

### **Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Additionally discussed in Note 3 to the financial statements, the fiscal year 2014 financial statements have been restated to correct a misstatement.

We did not modify our opinion regarding these matters.

### **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* and schedules of net pension liabilities and pension contributions 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 Award 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 January 28, 2016, 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.

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

January 28, 2016

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**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

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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, 2015. 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 2015 are as follows:

In total, net position increased \$2,666,105, or almost 18 percent.

General revenues accounted for 81 percent of total revenues for fiscal year 2015 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 and the Bond Retirement 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 2015. 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.

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

**Reporting the School District's Most Significant Funds**

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2015 and fiscal year 2014:

Table 1  
Net Position

	Governmental Activities		
	2015	2014	Change
<u>Assets</u>			
Current and Other Assets	\$18,126,759	\$16,210,517	\$1,916,242
Capital Assets, Net	34,437,680	34,935,007	(497,327)
Total Assets	52,564,439	51,145,524	1,418,915
<u>Deferred Outflows of Resources</u>			
Pension	1,004,052	773,352	230,700
<u>Liabilities</u>			
Current and Other Liabilities	1,456,785	1,830,882	374,097
Long-Term Liabilities			
Pension	13,714,500	16,297,417	2,582,917
Other Amounts	14,604,322	15,683,918	1,079,596
Total Liabilities	29,775,607	33,812,217	4,036,610

(continued)

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

Table 1  
Net Position  
(continued)

	Governmental Activities (continued)		
	2015	2014	Change
<u>Deferred Inflows of Resources</u>			
Pension	\$2,482,226	\$0	(\$2,482,226)
Other Amounts	3,518,364	2,980,470	(537,894)
Total Deferred Inflows of Resources	6,000,590	2,980,470	(3,020,120)
 <u>Net Position</u>			
Net Investment in Capital Assets	20,411,660	20,337,454	74,206
Restricted	4,219,119	3,964,429	254,690
Unrestricted (Deficit)	(6,838,485)	(9,175,694)	2,337,209
Total Net Position	\$17,792,294	\$15,126,189	\$2,666,105

During fiscal year 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, end users of these financial statements will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB Statement No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB Statement No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB Statement No. 68, the net pension liability equals the School District's proportionate share of each plan's collective present value of estimated future pension benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or in the case of compensated absences (i.e. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the School District. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 68, the School District is reporting a net pension liability and deferred outflows/inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$31,468,466 to \$15,126,189.

The above table reflects several significant changes from the prior fiscal year. The increase in current and other assets was primarily due to an increase in cash and cash equivalents and property taxes receivable. Both of these are related to the increase in assessed valuation of property (over \$4.3 million). This increase is also reflected in the increase in unrestricted net position. The decrease in current and other liabilities is generally due to a decrease in contracts and retainage payable as the School District's building project was completed. The decrease in other long-term liabilities is simply due to debt retirement.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

Table 2 reflects the change in net position for fiscal year 2015 and fiscal year 2014.

Table 2  
Change in Net Position

	Governmental Activities		Change
	2015	2014	
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,562,061	\$1,590,404	(\$28,343)
Operating Grants, Contributions, and Interest	1,680,881	1,703,014	(22,133)
Capital Grants and Contributions	5,400	5,400	0
Total Program Revenues	<u>3,248,342</u>	<u>3,298,818</u>	<u>(50,476)</u>
General Revenues			
Property Taxes Levied for General Purposes	4,014,683	3,368,543	646,140
Property Taxes Levied for Classroom Facilities	62,363	67,154	(4,791)
Property Taxes Levied for Debt Service	1,162,023	1,542,502	(380,479)
Property Taxes Levied for Permanent Improvements	56,311	101,294	(44,983)
Income Taxes Levied for General Purposes	1,062,938	1,047,554	15,384
Payment in Lieu of Taxes	42,000	28,000	14,000
Grants and Entitlements	7,255,480	6,405,065	850,415
Interest	47,993	53,015	(5,022)
Gifts and Donations	18,273	20,370	(2,097)
Miscellaneous	298,938	197,028	101,910
Total General Revenues	<u>14,021,002</u>	<u>12,830,525</u>	<u>1,190,477</u>
Total Revenues	<u>17,269,344</u>	<u>16,129,343</u>	<u>1,140,001</u>
<u>Expenses</u>			
Instruction:			
Regular	6,492,001	7,541,808	1,049,807
Special	1,691,026	1,518,150	(172,876)
Vocational	202,800	181,489	(21,311)
Support Services:			
Pupils	508,027	710,805	202,778
Instructional Staff	244,218	113,466	(130,752)
Board of Education	47,381	98,374	50,993
Administration	992,071	998,711	6,640
Fiscal	474,293	472,856	(1,437)
Business	24,606	22,870	(1,736)
Operation of Maintenance of Plant	897,224	860,499	(36,725)
Pupil Transportation	873,606	815,793	(57,813)
Central	290,244	174,333	(115,911)
Non-Instructional Services	696,884	561,168	(135,716)
Extracurricular Activities	407,972	372,806	(35,166)
Interest and Fiscal Charges	760,886	788,705	27,819
Total Expenses	<u>14,603,239</u>	<u>15,231,833</u>	<u>628,594</u>
Increase in Net Position	2,666,105	897,510	1,768,595
Net Position at Beginning of Year	15,126,189	n/a	
Net Position at End of Year	<u>\$17,792,294</u>	<u>\$15,126,189</u>	<u>\$2,666,105</u>

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The information necessary to restate the fiscal year 2014 beginning balance and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB Statement No. 68 is not available. Therefore, fiscal year 2014 functional expenses still include pension expense of \$773,352 computed under GASB Statement No. 27. GASB Statement No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB Statement No. 68, pension expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of pension expense. Under GASB Statement No. 68, the fiscal year 2015 statements report pension expense of \$543,334. Consequently, in order to compare fiscal year 2015 total program expenses to fiscal year 2014, the following adjustments are needed.

Total 2015 Program Expenses under GASB Statement No. 68	\$14,603,239
Pension Expense under GASB Statement No. 68	(543,334)
2015 Contractually Required Contribution	874,725
Adjusted 2015 Program Expenses	14,934,630
Total 2014 Program Expenses under GASB Statement No. 27	(15,231,833)
Decrease in Program Expenses Not Related to Pension	(\$297,203)

Overall, revenues increased 7 percent from the prior fiscal year with the increase primarily related to an increase in property taxes (as discussed previously) and unrestricted grants and entitlements (generally State foundation resources).

Program expenses for governmental activities decreased 2 percent from fiscal year 2014, not a significant change.

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	
	2015	2014	2015	2014
Instruction:				
Regular	\$6,492,001	\$7,541,808	\$5,220,126	\$6,326,589
Special	1,691,026	1,518,150	476,598	252,528
Vocational	202,800	181,489	123,712	77,317

(continued)

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Support Services:				
Pupils	\$508,027	\$710,805	\$508,027	\$710,805
Instructional Staff	244,218	113,466	244,218	113,466
Board of Education	47,381	98,374	47,381	98,374
Administration	992,071	998,711	992,071	998,711
Fiscal	474,293	472,856	474,293	472,856
Business	24,606	22,870	24,606	22,870
Operation and Maintenance				
of Plant	897,224	860,499	886,824	855,099
Pupil Transportation	873,606	815,793	873,606	815,793
Central	290,244	174,333	290,244	174,333
Non-Instructional Services	696,884	561,168	121,962	(28,028)
Extracurricular Activities	407,972	372,806	310,343	253,597
Interest and Fiscal Charges	760,886	788,705	760,886	788,705
Total Expenses	<u>\$14,603,239</u>	<u>\$15,231,833</u>	<u>\$11,354,897</u>	<u>\$11,933,015</u>

The net costs of the School District's programs for fiscal year 2015 was very similar to the prior fiscal year (78 percent for fiscal year 2015, 78 percent for fiscal year 2014). The above table also demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, 72 percent of the special instruction program is provided for through program revenues, that primarily being various grants restricted for special instruction purposes. Over 82 percent of the 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 24 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 nearly 22 percent from the prior fiscal year. Revenues increased approximately 4 percent while expenditures increased 6 percent; however, revenues were still greater than expenditures.

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.

**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 2015, the School District amended its General Fund budget as needed.

For revenues changes from the original budget to the final budget and from final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were not significant. Actual expenditures were 6 percent less than budgeted amounts due to conservative budgeting.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

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**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2015, the School District had \$34,437,680 invested in capital assets (net of accumulated depreciation). Additions consisted primarily of the renovation of the old high school building into the new administration building and bus garage and the purchase of a school bus. Disposals included equipment and a bus and van. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

**Debt**

At fiscal year end, the School District had general obligation bonds outstanding, in the amount of \$14,015,000, for school construction. The School District also had outstanding loans for buses and capital leases, in the amount of \$4,675 and \$6,345, respectively. The School District's long-term obligations also include the net pension liability and 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 (collections beginning 2012) for five years and will be on the November 2016 ballot for renewal.

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, 1239 Keener Road South, Marion, Ohio 43302.



**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 11,053,201
Cash and Cash Equivalents	
with Fiscal Agent	771,223
Accounts Receivable	23,297
Accrued Interest Receivable	10,424
Intergovernmental Receivable	79,385
Income Taxes Receivable	341,355
Inventory Held for Resale	15,637
Materials and Supplies Inventory	19,672
Property Taxes Receivable	5,812,565
Nondepreciable Capital Assets	222,679
Depreciable Capital Assets, Net	<u>34,215,001</u>
Total Assets	<u>52,564,439</u>
 <u>Deferred Outflows of Resources:</u>	
Pension	<u>1,004,052</u>
 <u>Liabilities:</u>	
Accounts Payable	20,374
Accrued Wages and Benefits Payable	962,464
Matured Compensated Absences Payable	145,126
Intergovernmental Payable	240,803
Accrued Interest Payable	65,018
Special Termination Benefits Payable	23,000
Long-Term Liabilities	
Due Within One Year	29,722
Due in More Than One Year	
Net Pension Liability	13,714,500
Other Amounts	<u>14,574,600</u>
Total Liabilities	<u>29,775,607</u>
 <u>Deferred Inflows of Resources:</u>	
Property Taxes	3,518,364
Pension	<u>2,482,226</u>
Total Deferred Inflows of Resources	<u>6,000,590</u>
 <u>Net Position:</u>	
Net Investment in Capital Assets	20,411,660
Restricted For	
Capital Projects	976,873
Debt Service	2,463,744
Food Service	281,139
Classroom Facilities Maintenance	386,313
Other Purposes	111,050
Unrestricted (Deficit)	<u>(6,838,485)</u>
Total Net Position	<u>\$ 17,792,294</u>

See Accompanying Notes to Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$ 6,492,001	\$ 1,191,233	\$ 80,642	\$ -	\$ (5,220,126)
Special	1,691,026	56,559	1,157,869	-	(476,598)
Vocational	202,800	-	79,088	-	(123,712)
<b>Support Services:</b>					
Pupils	508,027	-	-	-	(508,027)
Instructional Staff	244,218	-	-	-	(244,218)
Board of Education	47,381	-	-	-	(47,381)
Administration	992,071	-	-	-	(992,071)
Fiscal	474,293	-	-	-	(474,293)
Business	24,606	-	-	-	(24,606)
Operation and Maintenance of Plant	897,224	-	5,000	5,400	(886,824)
Pupil Transportation	873,606	-	-	-	(873,606)
Central	290,244	-	-	-	(290,244)
Non-Instructional Services	696,884	230,524	344,398	-	(121,962)
Extracurricular Activities	407,972	83,745	13,884	-	(310,343)
Interest and Fiscal Charges	760,886	-	-	-	(760,886)
<b>Total Governmental Activities</b>	<b>\$ 14,603,239</b>	<b>\$ 1,562,061</b>	<b>\$ 1,680,881</b>	<b>\$ 5,400</b>	<b>(11,354,897)</b>

**General Revenues:**

Property Taxes Levied for General Purposes	4,014,683
Property Taxes Levied for Classroom Facilities	62,363
Property Taxes Levied for Debt Service	1,162,023
Property Taxes Levied for Permanent Improvements	56,311
Income Taxes Levied for General Purposes	1,062,938
Payment in Lieu of Taxes	42,000
Grants and Entitlements not Restricted to Specific Programs	7,255,480
Interest	47,993
Gifts and Donations	18,273
Miscellaneous	298,938
<b>Total General Revenues</b>	<b>14,021,002</b>
 Change in Net Position	 2,666,105
 Net Position at Beginning of Year - Restated (Note 3)	 15,126,189
<b>Net Position at End of Year</b>	<b>\$ 17,792,294</b>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 8,103,290	\$ 1,248,298	\$ 1,701,613	\$ 11,053,201
Accounts Receivable	23,297	-	-	23,297
Accrued Interest Receivable	2,002	8,422	-	10,424
Intergovernmental Receivable	1,218	-	78,167	79,385
Income Taxes Receivable	341,355	-	-	341,355
Inventory Held for Resale	-	-	15,637	15,637
Materials and Supplies Inventory	17,976	-	1,696	19,672
<u>Restricted Assets:</u>				
Cash and Cash Equivalents with Fiscal Agent	-	771,223	-	771,223
Property Taxes Receivable	4,402,429	1,262,944	147,192	5,812,565
<b>Total Assets</b>	<u><u>12,891,567</u></u>	<u><u>3,290,887</u></u>	<u><u>1,944,305</u></u>	<u><u>18,126,759</u></u>
<u>Liabilities:</u>				
Accounts Payable	14,785	-	5,589	20,374
Accrued Wages and Benefits Payable	902,967	-	59,497	962,464
Matured Compensated Absences Payable	145,126	-	-	145,126
Intergovernmental Payable	214,875	-	25,928	240,803
Special Termination Benefits Payable	23,000	-	-	23,000
<b>Total Liabilities</b>	<u><u>1,300,753</u></u>	<u><u>-</u></u>	<u><u>91,014</u></u>	<u><u>1,391,767</u></u>
<u>Deferred Inflows of Resources:</u>				
Property Taxes	2,660,590	762,125	95,649	3,518,364
Unavailable Revenue	464,373	121,366	53,645	639,384
<b>Total Deferred Inflows of Resources</b>	<u><u>3,124,963</u></u>	<u><u>883,491</u></u>	<u><u>149,294</u></u>	<u><u>4,157,748</u></u>
<u>Fund Balances:</u>				
Nonspendable	17,976	-	1,696	19,672
Restricted	-	2,407,396	1,707,833	4,115,229
Committed	76,925	-	-	76,925
Assigned	101,218	-	-	101,218
Unassigned (Deficit)	8,269,732	-	(5,532)	8,264,200
<b>Total Fund Balances</b>	<u><u>8,465,851</u></u>	<u><u>2,407,396</u></u>	<u><u>1,703,997</u></u>	<u><u>12,577,244</u></u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u><u>\$ 12,891,567</u></u>	<u><u>\$ 3,290,887</u></u>	<u><u>\$ 1,944,305</u></u>	<u><u>\$ 18,126,759</u></u>

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, 2015**

Total Governmental Fund Balances \$ 12,577,244

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. 34,437,680

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	740	
Accrued Interest Receivable	31,719	
Intergovernmental Receivable	100,127	
Delinquent Property Taxes Receivable	506,798	
		639,384

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)

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

General Obligation Bonds Payable	(14,015,000)	
Loans Payable	(4,675)	
Capital Leases Payable	(6,345)	
Compensated Absences Payable	(578,302)	
		(14,604,322)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows/inflows are not reported in the funds.

Deferred Outflows - Pension		1,004,052
Deferred Inflows - Pension		(2,482,226)
Net Pension Liability		(13,714,500)

Net Position of Governmental Activities \$ 17,792,294

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, 2015**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$ 4,020,121	\$ 1,162,993	\$ 119,072	\$ 5,302,186
Income Taxes	1,005,031	-	-	1,005,031
Payment in Lieu of Taxes	42,000	-	-	42,000
Intergovernmental	7,242,003	747,682	930,595	8,920,280
Interest	24,542	22,927	1,026	48,495
Tuition and Fees	1,235,209	-	-	1,235,209
Extracurricular Activities	21,851	-	61,894	83,745
Charges for Services	11,850	-	230,022	241,872
Gifts and Donations	18,273	-	49,684	67,957
Miscellaneous	166,365	-	5,079	171,444
Total Revenues	<u>13,787,245</u>	<u>1,933,602</u>	<u>1,397,372</u>	<u>17,118,219</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,352,346	-	46,273	6,398,619
Special	1,394,328	-	330,005	1,724,333
Vocational	180,843	-	14,605	195,448
Support Services:				
Pupils	372,925	-	146,857	519,782
Instructional Staff	248,318	-	10	248,328
Board of Education	40,092	-	-	40,092
Administration	987,294	-	9,784	997,078
Fiscal	442,598	31,719	3,201	477,518
Business	24,806	-	-	24,806
Operation and Maintenance of Plant	880,969	-	10,400	891,369
Pupil Transportation	904,781	-	3,914	908,695
Central	290,780	-	-	290,780
Non-Instructional Services	-	-	581,068	581,068
Extracurricular Activities	279,936	-	88,480	368,416
Capital Outlay	-	-	205,367	205,367
Debt Service:				
Principal Retirement	16,939	500,000	54,594	571,533
Interest and Fiscal Charges	674	780,223	1,753	782,650
Accretion on Capital Appreciation Bonds	-	295,000	-	295,000
Total Expenditures	<u>12,417,629</u>	<u>1,606,942</u>	<u>1,496,311</u>	<u>15,520,882</u>
Excess of Revenues Over (Under) Expenditures	1,369,616	326,660	(98,939)	1,597,337
<u>Other Financing Sources:</u>				
Sale of Capital Assets	<u>132,000</u>	<u>-</u>	<u>-</u>	<u>132,000</u>
Changes in Fund Balances	1,501,616	326,660	(98,939)	1,729,337
Fund Balances at Beginning of Year	<u>6,964,235</u>	<u>2,080,736</u>	<u>1,802,936</u>	<u>10,847,907</u>
Fund Balances at End of Year	<u>\$ 8,465,851</u>	<u>\$ 2,407,396</u>	<u>\$ 1,703,997</u>	<u>\$ 12,577,244</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Changes in Fund Balances - Total Governmental Funds		\$1,729,337
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>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 depreciation exceeded capital outlays in the current fiscal year.</p>		
Capital Outlay - Nondepreciable Capital Assets	10,687	
Capital Outlay - Depreciable Capital Assets	99,660	
Depreciation	<u>(442,568)</u>	(332,221)
<p>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.</p>		
Proceeds from Sale of Capital Assets	(132,000)	
Gain on Disposal of Capital Assets	128,017	
Loss on Disposal of Capital Assets	<u>(161,123)</u>	(165,106)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	(6,806)	
Income Taxes	57,907	
Intergovernmental	(28,695)	
Interest	(10)	
Tuition and Fees	<u>712</u>	23,108
<p>Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
General Obligation Bonds	500,000	
Loans	54,594	
Capital Leases	<u>16,939</u>	571,533
<p>Interest is reported as an expenditure when due in governmental funds but is accrued on outstanding debt on the statement of net position.</p>		
Annual Accretion on Capital Appreciation Bonds	(35,179)	
Amortization of Premium	56,943	
Payment on Accretion	<u>295,000</u>	316,764
<p>Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in the governmental funds.</p>		
		191,299
<p>Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension expense on the statement of activities.</p>		
		(543,334)
<p>Contractually required pension contributions are reported as expenditures in governmental funds. However, the statement of net position reports these amounts as deferred outflows.</p>		
		<u>874,725</u>
Change in Net Position of Governmental Activities		<u><u>\$2,666,105</u></u>

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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Over (Under)
<u>Revenues:</u>				
Property Taxes	\$ 3,515,000	\$ 4,000,000	\$ 4,015,968	\$ 15,968
Income Taxes	1,035,000	965,339	1,023,886	58,547
Payment in Lieu of Taxes	45,000	39,598	42,000	2,402
Intergovernmental	6,873,060	6,822,947	7,242,003	419,056
Interest	20,000	18,791	21,150	2,359
Tuition and Fees	1,170,000	1,132,481	1,235,478	102,997
Extracurricular Activities	17,500	23,335	21,851	(1,484)
Charges for Services	65,000	11,322	11,850	528
Gifts and Donations	27,500	15,227	18,273	3,046
Miscellaneous	86,940	107,265	115,191	7,926
<b>Total Revenues</b>	<b>12,855,000</b>	<b>13,136,305</b>	<b>13,747,650</b>	<b>611,345</b>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,261,533	6,413,915	6,272,480	141,435
Special	1,437,208	1,393,409	1,369,856	23,553
Vocational	190,515	206,621	181,827	24,794
Support Services:				
Pupils	520,734	449,620	387,487	62,133
Instructional Staff	303,837	257,854	234,624	23,230
Board of Education	38,075	44,075	39,219	4,856
Administration	1,222,993	1,123,812	996,567	127,245
Fiscal	560,849	493,858	446,251	47,607
Business	15,870	23,668	21,527	2,141
Operation and Maintenance of Plant	961,171	995,479	938,552	56,927
Pupil Transportation	1,059,256	1,087,467	904,425	183,042
Central	314,440	405,973	306,686	99,287
Extracurricular Activities	282,460	273,845	275,398	(1,553)
Capital Outlay	500	500	-	500
<b>Total Expenditures</b>	<b>13,169,441</b>	<b>13,170,096</b>	<b>12,374,899</b>	<b>795,197</b>
Excess of Revenues Over (Under) Expenditures	(314,441)	(33,791)	1,372,751	1,406,542
<u>Other Financing Sources:</u>				
Sale of Capital Assets	-	132,000	132,000	-
Refund of Prior Year Expenditures	-	49,956	49,956	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>181,956</b>	<b>181,956</b>	<b>-</b>
Changes in Fund Balance	(314,441)	148,165	1,554,707	1,406,542
Fund Balance at Beginning of Year	6,090,293	6,090,293	6,090,293	-
Prior Year Encumbrances Appropriated	363,841	363,841	363,841	-
<b>Fund Balance at End of Year</b>	<b>\$ 6,139,693</b>	<b>\$ 6,602,299</b>	<b>\$ 8,008,841</b>	<b>\$ 1,406,542</b>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 77,069	\$ <u>34,236</u>
<u>Liabilities:</u>		
Due to Students	-	\$ 34,236
<u>Net Position:</u>		
Held in Trust for Scholarships	67,069	
Endowment	10,000	
Total Net Position	\$ 77,069	

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, 2015**

Additions:

Interest	\$	29
Gifts and Donations		7,500
Total Additions		<u>7,529</u>

Deductions:

Non-Instructional Services		<u>9,649</u>
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Change in Net Position (2,120)

Net Position at Beginning of Year 79,189

Net Position at End of Year \$ 77,069

See Accompanying Notes to the Basic Financial Statements

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**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**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. It is staffed by forty-two classified employees, seventy-nine certified teaching personnel, and thirteen administrative employees who provide services to 1,055 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 ensure 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 two jointly governed organizations and two insurance pools. These organizations are the Metropolitan Educational Technology Association, Tri-Rivers Joint Vocational School, Stark County Schools Council of Governments Health Benefit Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

**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, 2015  
(Continued)**

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**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 usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**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 and the Bond Retirement debt service 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.

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.

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.

**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.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust 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 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 outflows and 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.

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

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and explained in Note 14 to the basic financial statements.

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 until that time. For the School District, deferred inflows of resources consists of property taxes, unavailable revenue, and pension. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and explained in Note 14 to the basic financial statements.

Expenses/Expenditures

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

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

**E. Budgetary Process**

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

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the 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 are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2015, 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, 2015.

The Board of Education has allocated interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2015 was \$24,542 which includes \$5,039 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 expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.



**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**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.

**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 five thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	50 years
Buildings and Building Improvements	48 - 100 years
Furniture, Fixtures, and Equipment	5 - 15 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.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, net pension liability and 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.

**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 music and athletic programs and federal and state grants.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

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. 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.

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.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**O. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**P. Estimates**

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

**Note 3 - Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows and deferred inflows of resources, and pension expenses/expenditures.

In the prior fiscal year, the School District recorded a receivable for grant proceeds to be received to pay for building construction costs. However the building construction was completed at an amount less than anticipated; therefore, the School District did not receive the amount originally estimated.

These restatements had the following effect on net position.

	Total Governmental Activities
Net Position at June 30, 2014	<u>\$31,468,466</u>
Intergovernmental Receivable	(818,212)
Net Pension Liability	(16,297,417)
Deferred Outflows - Pension	<u>773,352</u>
Restated Net Position at June 30, 2014	<u>\$15,126,189</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred outflows or deferred inflows of resources as the information needed to generate these restatements was not available.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 4 - Accountability**

At June 30, 2015, the Title VI-B and Title I special revenue funds had deficit fund balances, in the amount of \$827 and \$4,302, 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).

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

Changes in Fund Balance	
GAAP Basis	\$1,501,616
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2014, Received in Cash FY 2015	1,658,984
Accrued FY 2015, Not Yet Received in Cash	(1,645,338)

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 5 - Budgetary Basis of Accounting** (continued)

Changes in Fund Balance (continued)	
Expenditure Accruals:	
Accrued FY 2014, Paid in Cash FY 2015	(\$1,160,013)
Accrued FY 2015, Not Yet Paid in Cash	1,300,753
Cash Adjustments:	
Unrecorded Activity FY 2014	(\$2,532)
Unrecorded Activity FY 2015	(753)
Materials and Supplies Inventory	(4,314)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(93,696)
Budget Basis	<u>\$1,554,707</u>

**Note 6 - Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 6 - Deposits and Investments** (continued)

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, \$610,685 of the School District's bank balance of \$6,205,403 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, 2015  
(Continued)**

**Note 6 - Deposits and Investments** (continued)

Investments

As of June 30, 2015, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Negotiable Certificates of Deposit	\$250,160	9/21/15
Negotiable Certificates of Deposit	250,418	3/21/16
Negotiable Certificates of Deposit	250,187	6/20/16
Federal Home Loan Bank Notes	672,672	9/13/19
Federal Home Loan Bank Notes	80,850	11/19/19
Mutual Funds	17,700	43 Days
Mutual Funds	257,812	35 Days
STAR Ohio	3,994,200	53.4 Days
	<u>\$5,773,999</u>	

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 generally 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.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$750,765	13.00%
Federal Home Loan Bank	753,522	13.05

**Note 7 - Receivables**

Receivables at June 30, 2015, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income 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, 2015  
(Continued)**

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**Note 7 – Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
North Central Ohio ESC	\$954
Bureau of Workers' Compensation	264
Total General Fund	<u>1,218</u>
Other Governmental Funds	
Title VI-B	22,978
Title I	44,200
Title II-A	10,989
Total Other Governmental Funds	<u>78,167</u>
Total Intergovernmental Receivables	<u><u>\$79,385</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, 2015  
(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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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, 2015, are available to finance fiscal year 2015 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, 2015, 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, 2015, was \$1,359,410 in the General Fund, \$387,875 in the Bond Retirement fund, and \$40,118 in the Permanent Improvement fund. 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.

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 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$146,559,170	86.32%	\$150,361,850	86.36%
Industrial/Commercial	10,798,500	6.36	10,718,910	6.16
Public Utility	12,433,460	7.32	13,030,140	7.48
Total Assessed Value	<u>\$169,791,130</u>	<u>100.00%</u>	<u>\$174,110,900</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$44.86</u>		<u>\$44.86</u>	

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$233,951	\$0	(\$11,272)	\$222,679
Construction in Progress	194,168	10,687	(204,855)	0
Total Nondepreciable Capital Assets	<u>428,119</u>	<u>10,687</u>	<u>(216,127)</u>	<u>222,679</u>
Depreciable Capital Assets				
Land Improvements	102,544	0	(11,262)	91,282
Buildings and Building Improvements	33,779,714	204,855	(57,966)	33,926,603
Furniture, Fixtures, and Equipment	614,578	6,255	(205,855)	414,978
Vehicles	1,241,188	93,405	(87,656)	1,246,937
Total Depreciable Capital Assets	<u>35,738,024</u>	<u>304,515</u>	<u>(362,739)</u>	<u>35,679,800</u>
Less Accumulated Depreciation				
Land Improvements	(24,755)	(1,826)	10,990	(15,591)
Buildings and Building Improvements	(246,326)	(341,617)	16,774	(571,169)
Furniture, Fixtures, and Equipment	(149,034)	(40,891)	102,168	(87,757)
Vehicles	(811,021)	(58,234)	78,973	(790,282)
Total Accumulated Depreciation	<u>(1,231,136)</u>	<u>(442,568)</u>	<u>208,905</u>	<u>(1,464,799)</u>
Depreciable Capital Assets, Net	<u>34,506,888</u>	<u>(138,053)</u>	<u>(153,834)</u>	<u>34,215,001</u>
Governmental Activities Capital Assets, Net	<u>\$34,935,007</u>	<u>(\$127,366)</u>	<u>(\$369,961)</u>	<u>\$34,437,680</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$201,583
Special	14,242
Vocational	12,918
Support Services:	
Pupils	3,643
Instructional Staff	5,300
Board of Education	331
Administration	10,438
Fiscal	1,659
Operation and Maintenance of Plant	30,104
Pupil Transportation	59,656
Central	2,650
Non-Instructional Services	44,479
Extracurricular Activities	55,565
Total Depreciation Expense	<u>\$442,568</u>

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**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 2015, the School District contracted for the following insurance coverage.

Coverage provided by the Netherlands Insurance Company is as follows:

General Liability	
Aggregate	\$2,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Building and Contents	40,336,873

Coverage provided by the Indiana Insurance Company is as follows:

Excess Liability	4,000,000
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Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

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

For fiscal year 2015, 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**

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2016 are as follows:

General Fund	\$93,696
Other Governmental Funds	78,020
Total	<u><u>\$171,716</u></u>

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 14 - Defined Benefit Pension Plans**

**Net Pension Liability**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that have already occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation, including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from the employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the fiscal year is included as an intergovernmental payable on both the accrual and modified accrual basis of accounting.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description - School District classified employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS' fiduciary net position. The report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 14 - Defined Benefit Pension Plans** (continued)

Age and service requirements for retirement are as follows.

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit; Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service over thirty years. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3 percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining .82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$192,348 for fiscal year 2015. Of this amount, \$31,754 is reported as an intergovernmental payable.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description - School District licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**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). Benefits are established by Ohio Revised Code Chapter 3307. The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 allocated among investment choices by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1 percent on July 1, 2014, and will be increased 1 percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 14 - Defined Benefit Pension Plans** (continued)

The School District's contractually required contribution to STRS was \$682,377 for fiscal year 2015. Of this amount, \$109,914 is reported as an intergovernmental payable.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,423,180	\$11,291,320	\$13,714,500
Proportion of the Net Pension Liability	.04788000%	.04642152%	
Pension Expense	\$139,245	\$404,089	\$543,334

At June 30, 2015, the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$20,624	\$108,703	\$129,327
School District Contributions subsequent to the measurement date	192,348	682,377	874,725
<b>Total Deferred Outflows of Resources</b>	<u>\$212,972</u>	<u>\$791,080</u>	<u>\$1,004,052</u>

**Deferred Inflows of Resources**

Net difference between projected and actual earnings on pension plan investments	\$393,289	\$2,088,937	\$2,482,226
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\$874,725 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ended June 30,			
2016	(\$93,114)	(\$495,058)	(\$588,172)
2017	(93,114)	(495,058)	(588,172)
2018	(93,114)	(495,059)	(588,173)
2019	(93,323)	(495,059)	(588,382)
<b>Total</b>	<u>(\$372,665)</u>	<u>(\$1,980,234)</u>	<u>(\$2,352,899)</u>



**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 14 - Defined Benefit Pension Plans** (continued)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation prepared as of June 30, 2014, are presented below.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

For postretirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the pension plan investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 14 - Defined Benefit Pension Plans** (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.00%
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00%	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$3,457,157	\$2,423,180	\$1,553,515

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Inflation	2.75 percent
Projected Salary Increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost of Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 14 - Defined Benefit Pension Plans** (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022-Scale AA) for males and females. Males' ages are set back two years through age eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back for age ninety and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study effective July 1, 2012.

The ten year expected real rate of return on pension plan investments was determined by the STRS investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	8.00%
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate.

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 14 - Defined Benefit Pension Plans** (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's Proportionate Share of the Net Pension Liability	\$16,164,756	\$11,291,320	\$7,170,034

**Note 15 - Postemployment Benefits**

**School Employees Retirement System (SERS)**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS' website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, .82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$50,382.

The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 was \$12,092, \$1,772, and \$2,234, respectively. For fiscal year 2015, 85 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 15 - Postemployment Benefits** (continued)

**State Teachers Retirement System (STRS)**

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. 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 2015, STRS did not allocate any employer contributions to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$47,996, and \$50,269 respectively. The full amount has been contributed for all three fiscal years.

**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.

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.

**ELGIN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 16 - Other Employee Benefits** (continued)

**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 2015, 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. At June 30, 2015, the School District had a liability for separation benefits of \$23,000.

**Note 17 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15	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
Capital Appreciation Bonds 11.210%	500,000	0	500,000	0	0
Accretion on Capital Appreciation Bonds	259,821	35,179	295,000	0	0
Bond Premium	56,943	0	56,943	0	0
Total General Obligation Bonds	<u>14,831,764</u>	<u>35,179</u>	<u>851,943</u>	<u>14,015,000</u>	<u>0</u>
Net Pension Liability					
SERS	2,847,270	0	424,090	2,423,180	0
STRS	13,450,147	0	2,158,827	11,291,320	0
Total Net Pension Liability	<u>16,297,417</u>	<u>0</u>	<u>2,582,917</u>	<u>13,714,500</u>	<u>0</u>
Loans Payable	59,269	0	54,594	4,675	4,675
Capital Leases Payable	23,284	0	16,939	6,345	6,345
Compensated Absences Payable	769,601	0	191,299	578,302	18,702
Total Governmental Activities Long-Term Obligations	<u>\$31,981,335</u>	<u>\$35,179</u>	<u>\$3,697,692</u>	<u>\$28,318,822</u>	<u>\$29,722</u>

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 17 - Long-Term Obligations** (continued)

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:

<u>Year</u>	<u>Amount</u>
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.

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.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 17 - Long-Term Obligations** (continued)

Net Pension Liability - The School District pays obligations related to employee compensation from the fund benefitting from their service. For additional information related to the net pension liability, see Note 14 to the basic financial statements.

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 \$2,905,752 with an unvoted debt margin of \$161,311 at June 30, 2015.

Principal and interest requirements to retire general long-term obligations outstanding at June 30, 2015, were as follows:

Fiscal Year Ending	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2016	\$0	\$780,211	\$4,675	\$20
2017	0	780,211	0	0
2018	0	780,211	0	0
2019	0	780,211	0	0
2020	0	780,211		
2021-2025	0	3,901,057	0	0
2026-2030	13,300,000	2,010,068	0	0
2031	715,000	21,329	0	0
	<u>\$14,015,000</u>	<u>\$9,833,509</u>	<u>\$4,675</u>	<u>\$20</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 2015 were \$16,939.



**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**Note 18 - Capital Leases - Lessee Disclosure** (continued)

	Governmental Activities
Equipment	\$57,807
Less Accumulated Depreciation	(35,649)
Carrying Value at June 30, 2015	\$22,158

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, 2015.

	Governmental Activities	
Year	Principal	Interest
2016	\$6,345	\$62

**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 2015.

	Capital Improvements
Balance June 30, 2014	\$0
Current Year Set Aside Requirement	199,523
Qualifying Expenditures	(199,523)
Balance June 30, 2015	\$0

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**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	Other Governmental	Total Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$17,976	\$0	\$1,696	\$19,672
Restricted for:				
Athletics and Music	0	0	24,482	24,482
Capital Improvements	0	0	965,448	965,448
Community Involvement	0	0	42,900	42,900
Debt Retirement	0	2,407,396	0	2,407,396
Facilities Maintenance	0	0	386,313	386,313
Food Service Operations	0	0	282,113	282,113
Regular Instruction	0	0	209	209
Student Intervention	0	0	2,973	2,973
Teacher Improvement	0	0	3,395	3,395
<b>Total Restricted</b>	<b>0</b>	<b>2,407,396</b>	<b>1,707,833</b>	<b>4,115,229</b>
Committed for:				
Facilities Expansion	76,925	0	0	76,925
Assigned for:				
Regular Instruction	2,128	0	0	2,128
Student Activities	20,078	0	0	20,078
Unpaid Obligations	79,012	0	0	79,012
<b>Total Assigned</b>	<b>101,218</b>	<b>0</b>	<b>0</b>	<b>101,218</b>
Unassigned (Deficit)	8,269,732	0	(5,532)	8,264,200
<b>Total Fund Balance</b>	<b>\$8,465,851</b>	<b>\$2,407,396</b>	<b>\$1,703,997</b>	<b>\$12,577,244</b>

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 21 - 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 \$67,069 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**Note 22 - Jointly Governed Organizations**

**A. Metropolitan Educational Technology Association**

The School District is a participant in the Metropolitan Educational Technology Association (META), which is a computer consortium. META 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 META 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 2015, the School District paid \$51,719 to META for various services. Financial information can be obtained from META, 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.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 23 - 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.

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 24 - 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, 2015.

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

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**Note 24 - Contingencies** (continued)

**B. School Foundation**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015, foundation funding for the School District, therefore, any financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

**C. Litigation**

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

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Elgin Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.04788000%	0.04788000%
School District's Proportionate Share of the Net Pension Liability	\$2,423,180	\$2,847,270
School District's Covered Employee Payroll	\$1,266,046	\$1,396,031
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	191.40%	203.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

Elgin Local School District  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Two Fiscal Years (1)

	2014	2013
School District's Proportion of the Net Pension Liability	0.04642152%	0.04642152%
School District's Proportionate Share of the Net Pension Liability	\$11,291,320	\$13,450,147
School District's Covered Employee Payroll	\$4,482,169	\$4,929,031
School District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	251.92%	272.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.



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Elgin Local School District  
Required Supplementary Information  
Schedule of the School District's Contributions  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$192,348	\$165,852	\$182,880	\$174,280
Contributions in Relation to the Contractually Required Contribution	<u>(192,348)</u>	<u>(165,852)</u>	<u>(182,880)</u>	<u>(174,280)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered Employee Payroll	\$1,459,393	\$1,266,046	\$1,396,031	\$1,372,283
Contributions as a Percentage of Covered Employee Payroll	13.18%	13.10%	13.10%	12.70%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$172,234	\$179,240	\$128,212	\$143,639	\$162,407	\$148,551
<u>(172,234)</u>	<u>(179,240)</u>	<u>(128,212)</u>	<u>(143,639)</u>	<u>(162,407)</u>	<u>(148,551)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,458,374	\$1,402,504	\$1,410,473	\$1,568,111	\$1,520,665	\$1,404,074
11.81%	12.78%	9.09%	9.16%	10.68%	10.58%

Elgin Local School District  
Required Supplementary Information  
Schedule of the School District's Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$682,377	\$582,682	\$640,774	\$624,947
Contributions in Relation to the Contractually Required Contribution	<u>(682,377)</u>	<u>(582,682)</u>	<u>(640,774)</u>	<u>(624,947)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered Employee Payroll	\$4,874,121	\$4,482,169	\$4,929,031	\$4,807,285
Contributions as a Percentage of Covered Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$663,866	\$629,530	\$758,992	\$816,628	\$812,060	\$757,790
<u>(663,866)</u>	<u>(629,530)</u>	<u>(758,992)</u>	<u>(816,628)</u>	<u>(812,060)</u>	<u>(757,790)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,106,662	\$4,842,538	\$5,838,400	\$6,281,754	\$6,246,615	\$5,829,154
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b><u>FEDERAL GRANTOR</u></b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b> <i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 42,131	\$ 42,131
Cash Assistance:			
School Breakfast Program	10.553	44,524	44,524
National School Lunch Program	10.555	228,148	228,148
Summer Food Service Program for Children	10.559	17,955	10,819
Cash Assistance Subtotal:		<u>290,627</u>	<u>283,491</u>
Total Child Nutrition Cluster		<u>332,758</u>	<u>325,622</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>332,758</u></b>	<b><u>325,622</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b> <i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	198,758	207,829
Special Education_Grants to States	84.027	271,867	271,918
Improving Teacher Quality State Grants	84.367	32,722	30,222
<b>Total U.S. Department of Education</b>		<b><u>503,347</u></b>	<b><u>509,969</u></b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b><u>\$ 836,105</u></b>	<b><u>\$ 835,591</u></b>

*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, 2015**

**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  
1239 Keener Road South  
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, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 28, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We also noted the fiscal year 2014 financial statements have been restated to correct a misstatement

### ***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 28, 2016



# Dave Yost • Auditor of State

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

Elgin Local School District  
Marion County  
1239 Keener Road South  
Marion, Ohio 43302

To the Board of Education:

### ***Report on Compliance for Each 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 each of Elgin Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs 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 programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Elgin Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended June 30, 2015.

**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.

*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 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.

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

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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 28, 2016

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	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  CFDA #84.027 – Special Education_Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**ELGIN LOCAL SCHOOL DISTRICT  
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Paid Lunch Equity Calculation` Special Tests and Provisions- Nutrition Cluster	Yes	



# Dave Yost • Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 17, 2016**