



Mary Taylor, CPA
Auditor of State

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
General Purpose External Financial Statements	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	18
Statement of Fiduciary Net Assets – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures	43
Notes to the Schedule of Federal Awards Receipts and Expenditures	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings	49

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Elgin Local School District, Marion County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

November 30, 2007

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Elgin Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. 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

Key highlights for fiscal year 2007 are as follows:

In total, net assets decreased \$776,459, or 18 percent, a somewhat significant change from the prior fiscal year. The School District continues to dip into the cash carryover to finance current fiscal year operations. Cash carryover spending has occurred in each of the last five fiscal years.

General revenues accounted for \$10,471,589, or 74 percent of total revenues. This reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

House Bill 66, adopted in June 2005, called for major changes in Ohio's tax law. This legislation has eliminated the tangible personal property tax, which is being phased out over four years at approximately 25 percent per year beginning in 2006. The School District received \$827,000 from this revenue source during the current year and \$1.3 million in the previous fiscal year. This reduction in revenue was made up in the form of offsetting reimbursements from the State. This continued revenue source is critical to the funding of school operations.

Using the Basic Financial Statements

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General 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 those 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.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006:

	Table 1 Net Assets	
	Governmental Activities	
	2007	2006
<u>Assets:</u>		
Current and Other Assets	\$6,015,358	\$6,744,080
Capital Assets, Net	2,497,154	2,504,285
Total Assets	8,512,512	9,248,365
<u>Liabilities:</u>		
Current and Other Liabilities	\$4,096,942	\$4,136,343
Long-Term Liabilities	951,306	871,299
Total Liabilities	5,048,248	5,007,642
<u>Net Assets:</u>		
Invested in Capital Assets	2,497,154	2,504,285
Restricted	655,555	403,158
Unrestricted	311,555	1,333,280
Total Net Assets	\$3,464,264	\$4,240,723

A review of the above table reveals several items of note. The decrease in current and other assets is the result of a significant decrease in cash and cash equivalents (in excess of \$970,000). This reflects continued cash carryover spending to finance current fiscal year operations. A corresponding decrease is reflected in unrestricted net assets.

The School District's only long-term liability is for compensated absences. The increase is simply due to more individuals meeting the criteria for inclusion in the calculation of the liability. The increase in restricted net assets is primarily the result of resources from three new grant programs, Summer School, CORE and Ohio Department of Natural Resources. In addition, the Food Service special revenue fund saw sizable profits.

Table 2 reflects the changes in net assets for fiscal year 2007 and fiscal year 2006.

	Table 2 Change in Net Assets	
	Governmental Activities	
	2007	2006
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$1,817,657	\$1,760,376
Operating Grants, Contributions, and Interest	1,608,362	1,336,852
Capital Grants, Contributions, and Interest	170,893	30,887
Total Program Revenues	3,596,912	3,128,115

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities	
	2007	2006
<u>Revenues (continued)</u>		
<u>General Revenues</u>		
Property Taxes	\$3,925,042	\$4,315,898
Grants and Entitlements	6,263,844	6,025,705
Interest	137,695	128,307
Gifts and Donations	5,247	8,013
Miscellaneous	139,761	146,676
Total General Revenues	<u>10,471,589</u>	<u>10,624,599</u>
Total Revenues	<u>14,068,501</u>	<u>13,752,714</u>
<u>Expenses</u>		
<u>Instruction:</u>		
Regular	7,510,635	6,979,160
Special	1,023,273	976,399
Vocational	297,304	295,835
<u>Support Services:</u>		
Pupils	664,722	635,050
Instructional Staff	562,680	475,639
Board of Education	26,932	47,636
Administration	1,338,680	1,270,598
Fiscal	386,378	392,495
Operation and Maintenance of Plant	1,211,281	1,150,453
Pupil Transportation	854,786	799,788
Non-Instructional Services	568,341	604,500
Extracurricular Activities	399,948	393,580
Total Expenses	<u>14,844,960</u>	<u>14,021,133</u>
Decrease in Net Assets	(776,459)	(268,419)
Net Assets at Beginning of Year	<u>4,240,723</u>	<u>4,509,142</u>
Net Assets at End of Year	<u>\$3,464,264</u>	<u>\$4,240,723</u>

Program revenues were approximately 26 percent of total revenues (similar to the prior fiscal year of 23 percent) and consist of charges for tuition and fees, food service sales, extracurricular activities admissions, and restricted intergovernmental revenues. Operating grants and contributions increased somewhat from the prior fiscal year as a result of the Summer School, CORE and Ohio Department of Natural Resources monies received. General revenues were quite comparable to fiscal year 2006.

A review of expenses for fiscal year 2007 and fiscal year 2006 reveals notable changes. Overall expenses increased over \$800,000 or approximately 6 percent. Almost \$580,000 is related to salaries and benefits increases in the General fund. Additional increases are due to expenses from the new grant funds as referenced above.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities

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	
	2007	2006	2007	2006
Instruction:				
Regular	\$7,510,635	\$6,979,160	\$5,639,521	\$5,597,777
Special	1,023,273	976,399	102,910	80,424
Vocational	297,304	295,835	256,621	249,858
Support Services:				
Pupils	664,722	635,050	659,395	629,488
Instructional Staff	562,680	475,639	562,680	475,639
Board of Education	26,932	47,636	26,932	47,636
Administration	1,338,680	1,270,598	1,338,680	1,270,598
Fiscal	386,378	392,495	386,378	392,495
Operation and Maintenance of Plant	1,211,281	1,150,453	1,199,281	1,138,453
Pupil Transportation	854,786	799,788	837,639	789,850
Non-Instructional Services	568,341	604,500	(66,350)	(56,838)
Extracurricular Activities	399,948	393,580	304,361	277,638
Total Expenses	\$14,844,960	\$14,021,133	\$11,248,048	\$10,893,018

A review of the above table demonstrates the substantial dependence upon tax revenues and unrestricted state entitlements for governmental activities. For fiscal year 2007, general revenues provided support for 76 percent of governmental activities (similar to the prior fiscal year of 78 percent). Two programs which receive generous support from program revenues are special instruction (90 percent) due to restricted grants for special education purposes and non-instructional services (where program revenues exceeded expenses). This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service, as well as charges for school age child care. The extracurricular activities program also received moderate support from program revenues (24 percent). These resources consist of music and athletic fees, ticket sales, and gate receipts for musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Again in fiscal year 2007, the General Fund experienced a significant decrease in fund balance. This decrease of 50 percent in fiscal year 2007 and 17 percent in fiscal year 2006 is the result of continued deficit (cash carryover) spending.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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 2007, the School District amended its General Fund budget as needed.

For revenues, there were no changes from the original to final budget. Changes from the final budget to actual revenues collected were not significant. The slight increase in actual revenues was primarily due to conservative estimates for property taxes.

For expenditures, there was almost no change from the original to final budget. The 3 percent reduction in actual expenditures from the final budget was due to conservative spending, where possible. However, as mentioned previously, deficit spending resulted in a significant reduction in the fund balance for the General Fund.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$2,497,154 invested in capital assets (net of accumulated depreciation) for governmental activities, a decrease of \$7,131. The decrease is primarily the result of depreciation expense exceeding acquisitions. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt

At June 30, 2007, the School District's only long-term obligation was for compensated absences. Compensated absences will be paid from the General Fund and the Food Service, Education Management Information Systems, and Title I special revenue funds. For further information regarding the School District's long-term obligations, refer to Note 13 to the basic financial statements.

Current Issues

Elgin Local School District is a residential/farming community and is experiencing some moderate residential growth. As a result, the School District expects some growth in both residential students and open enrollment. 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 our School District (special education and gifted education). While we have tried to be very efficient in sharing programs with other school districts, the costs of this sharing has made it necessary for us to evaluate those programs and look for alternatives to not only keep these students in our School District but to use our money more efficiently.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The School District is creating a land lab to be used for biology classes to study the natural habitat of plant and animal life. This lab is located on the grounds of the Elgin High School and is adjacent to the 5,500 acre Big Island Wildlife Area. The project is supported by a \$60,000 State Capital Improvement Grant (received in 2005), \$46,070 Ohio Environmental Education Grant (received in 2005), \$100,000 pledged by the School District, \$10,000 from the USDA Farm Service Agency, and multiple donations. The School District applied for additional funding during 2007, in the amount of \$122,000. These funds were received from the Ohio Department of Natural Resources in the summer of 2007. This project is under construction and scheduled for completion in the fall of 2007.

On September 19, 2006, the School District, which is the sponsor of the Elgin Digital Academy (EDA), a conversion school which provides education opportunities through distance learning technologies, placed the Academy on suspension status due to low student enrollment. On September 24, 2007, the Elgin School District ended operations of the EDA.

The School District was contacted in May 2007 by the Ohio School Facilities Commission in regards to the status of the timeline to receive facilities money. The School District will be on the ballot in November of 2008. The state share of the project is projected at 56%, with the local share being 44%. In addition, the School District is currently under a facility study.

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 Kim Reynolds, Treasurer, Elgin Local School District, 4616 Larue-Prospect Road, Marion, Ohio 43302.

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**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,746,811
Cash and Cash Equivalents with Fiscal Agent	902
Cash and Cash Equivalents in Segregated Accounts	1,996
Accounts Receivable	8,673
Intergovernmental Receivable	336,449
Prepaid Items	47,431
Inventory Held for Resale	8,344
Materials and Supplies Inventory	44,531
Property Taxes Receivable	3,820,221
Nondepreciable Capital Assets	135,086
Depreciable Capital Assets, Net	<u>2,362,068</u>
Total Assets	<u>8,512,512</u>
 <u>Liabilities:</u>	
Accounts Payable	52,984
Accrued Wages and Benefits Payable	1,195,625
Matured Compensated Absences	13,508
Intergovernmental Payable	345,925
Deferred Revenue	2,488,900
Long-Term Liabilities:	
Due Within One Year	48,886
Due in More Than One Year	<u>902,420</u>
Total Liabilities	<u>5,048,248</u>
 <u>Net Assets:</u>	
Invested in Capital Assets	2,497,154
Restricted For:	
Debt Service	41
Capital Projects	160,855
Facilities Acquisition	76,925
Food Service	172,628
Athletic and Music	63,168
Miscellaneous State Grants	78,127
Other Purposes	103,811
Unrestricted	<u>311,555</u>
Total Net Assets	<u>\$ 3,464,264</u>

See Accompanying Notes to Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Revenues			
Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 7,510,635	\$ 1,343,665	\$ 385,703	\$ 141,746
Special	1,023,273	-	920,363	-
Vocational	297,304	-	40,683	-
Support Services:				
Pupils	664,722	-	5,327	-
Instructional Staff	562,680	-	-	-
Board of Education	26,932	-	-	-
Administration	1,338,680	-	-	-
Fiscal	386,378	-	-	-
Operation and Maintenance of Plant	1,211,281	-	-	12,000
Pupil Transportation	854,786	-	-	17,147
Non-Instructional Services	568,341	382,849	251,842	-
Extracurricular Activities	399,948	91,143	4,444	-
Total Governmental Activities	\$ 14,844,960	\$ 1,817,657	\$ 1,608,362	\$ 170,893

General Revenues:

Property Taxes Levied for General Purposes
 Grants and Entitlements not Restricted to Specific Programs
 Interest
 Gifts and Donations
 Miscellaneous
 Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year
 Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in Net Assets

Primary Government

Governmental
Activities

\$ (5,639,521)
(102,910)
(256,621)

(659,395)
(562,680)
(26,932)
(1,338,680)
(386,378)
(1,199,281)
(837,639)
66,350
(304,361)
(11,248,048)

3,925,042
6,263,844
137,695
5,247
139,761
10,471,589

(776,459)

4,240,723
\$ 3,464,264

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Other Governmental	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,334,785	\$ 412,026	\$ 1,746,811
Cash and Cash Equivalents with Fiscal Agent	-	902	902
Cash and Cash Equivalents in Segregated Accounts	-	1,996	1,996
Interfund Receivable	100,317	-	100,317
Accounts Receivable	7,531	1,142	8,673
Intergovernmental Receivable	14,333	322,116	336,449
Prepaid Items	47,431	-	47,431
Inventory Held for Resale	-	8,344	8,344
Materials and Supplies Inventory	42,071	2,460	44,531
Property Taxes Receivable	3,820,221	-	3,820,221
Total Assets	5,366,689	748,986	6,115,675
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities</u>			
Accounts Payable	43,165	9,819	52,984
Interfund Payable	-	100,317	100,317
Accrued Wages and Benefits Payable	1,158,516	37,109	1,195,625
Matured Compensated Absences Payable	13,508	-	13,508
Intergovernmental Payable	313,786	32,139	345,925
Deferred Revenue	2,832,179	46,594	2,878,773
Total Liabilities	4,361,154	225,978	4,587,132
 <u>Fund Balances:</u>			
Reserved for Property Taxes	994,498	-	994,498
Reserved for Facilities Expansion	76,925	-	76,925
Reserved for Encumbrances	211,705	193,634	405,339
Unreserved, Reported in:			
General Fund	(277,593)	-	(277,593)
Special Revenue Funds	-	307,101	307,101
Debt Service Fund	-	41	41
Capital Projects Funds	-	22,232	22,232
Total Fund Balances	1,005,535	523,008	1,528,543
Total Liabilities and Fund Balances	\$ 5,366,689	\$ 748,986	\$ 6,115,675

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances \$ 1,528,543

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 2,497,154

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

Accounts Receivable	6,260	
Intergovernmental Receivable	46,790	
Property Taxes Receivable	<u>336,823</u>	
		389,873

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

Compensated Absences Payable	<u>(951,306)</u>	<u>(951,306)</u>
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Net Assets of Governmental Activities \$ 3,464,264

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, 2007**

	General	Other Governmental	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$ 3,851,213	\$ -	\$ 3,851,213
Intergovernmental	6,773,373	1,051,436	7,824,809
Interest	137,695	10,905	148,600
Tuition and Fees	1,341,157	-	1,341,157
Extracurricular Activities	12,773	76,380	89,153
Charges for Services	-	382,858	382,858
Gifts and Donations	-	12,152	12,152
Miscellaneous	118,132	184,704	302,836
Total Revenues	<u>12,234,343</u>	<u>1,718,435</u>	<u>13,952,778</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	7,152,426	305,493	7,457,919
Special	800,812	214,869	1,015,681
Vocational	295,186	-	295,186
Support Services:			
Pupils	389,747	272,042	661,789
Instructional Staff	491,929	65,599	557,528
Board of Education	26,932	-	26,932
Administration	1,270,974	26,630	1,297,604
Fiscal	398,699	5,200	403,899
Operation and Maintenance of Plant	1,180,507	12,000	1,192,507
Pupil Transportation	832,634	6,363	838,997
Non-Instructional Services	-	569,323	569,323
Extracurricular Activities	305,785	85,674	391,459
Capital Outlay	50,260	3,738	53,998
Total Expenditures	<u>13,195,891</u>	<u>1,566,931</u>	<u>14,762,822</u>
Excess of Revenues Over (Under) Expenditures	<u>(961,548)</u>	<u>151,504</u>	<u>(810,044)</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	-	49,790	49,790
Transfers Out	<u>(49,790)</u>	<u>-</u>	<u>(49,790)</u>
Total Other Financing Sources (Uses)	<u>(49,790)</u>	<u>49,790</u>	<u>-</u>
Changes in Fund Balances	(1,011,338)	201,294	(810,044)
Fund Balances at Beginning of Year	<u>2,016,873</u>	<u>321,714</u>	<u>2,338,587</u>
Fund Balances at End of Year	<u>\$ 1,005,535</u>	<u>\$ 523,008</u>	<u>\$ 1,528,543</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, 2007**

Changes in Fund Balances - Total Governmental Funds \$ (810,044)

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

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

Capital Outlay - Construction in Progress	14,653	
Capital Outlay - Depreciable Capital Assets	128,663	
Depreciation	(147,047)	(3,731)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities. (3,400)

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

Property Taxes	73,829	
Intergovernmental	41,563	
Tuition and Fees	2,508	
Charges for Services	(9)	
Miscellaneous	(2,168)	115,723

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

Separation Benefits Payable	5,000	
Compensated Absences Payable	(80,007)	(75,007)

Change in Net Assets of Governmental Activities \$ (776,459)

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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$ 3,656,310	\$ 3,655,210	\$ 3,878,304	\$ 223,094
Intergovernmental	6,855,814	6,856,914	6,774,243	(82,671)
Interest	96,000	96,000	137,695	41,695
Tuition and Fees	1,252,178	1,252,178	1,341,157	88,979
Extracurricular Activities	11,000	11,000	12,773	1,773
Miscellaneous	98,100	98,100	118,055	19,955
Total Revenues	<u>11,969,402</u>	<u>11,969,402</u>	<u>12,262,227</u>	<u>292,825</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,143,852	7,131,902	7,101,303	30,599
Special	819,835	829,835	783,047	46,788
Vocational	295,830	295,830	294,889	941
Support Services:				
Pupils	456,136	456,136	391,900	64,236
Instructional Staff	507,155	495,731	484,697	11,034
Board of Education	37,700	37,700	27,490	10,210
Administration	1,357,442	1,319,042	1,261,537	57,505
Fiscal	423,026	446,026	426,592	19,434
Operation and Maintenance of Plant	1,515,210	1,515,210	1,366,241	148,969
Pupil Transportation	830,866	830,866	837,958	(7,092)
Extracurricular Activities	308,869	308,869	302,594	6,275
Capital Outlay	125,000	168,774	83,180	85,594
Total Expenditures	<u>13,820,921</u>	<u>13,835,921</u>	<u>13,361,428</u>	<u>474,493</u>
Excess of Revenues Under Expenditures	<u>(1,851,519)</u>	<u>(1,866,519)</u>	<u>(1,099,201)</u>	<u>767,318</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	5,000	5,000	-	(5,000)
Advances Out	(15,000)	-	(100,317)	(100,317)
Transfers In	-	-	-	-
Transfers Out	(50,000)	(50,000)	(49,790)	210
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(45,000)</u>	<u>(150,107)</u>	<u>(105,107)</u>
Changes in Fund Balance	(1,911,519)	(1,911,519)	(1,249,308)	662,211
Fund Balance at Beginning of Year	2,170,704	2,170,704	2,170,704	-
Prior Year Encumbrances Appropriated	176,315	176,315	176,315	-
Fund Balance at End of Year	<u>\$ 435,500</u>	<u>\$ 435,500</u>	<u>\$ 1,097,711</u>	<u>\$ 662,211</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 16,963	\$ 31,438
<u>Liabilities:</u>		
Due to Students	-	\$ 31,438
<u>Net Assets:</u>		
Held in Trust for Students	6,963	
Endowment	10,000	
Total Net Assets	\$ 16,963	

See Accompanying Notes to the Basic Financial Statements

ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Additions:</u>	
Interest	\$ 888
Total Additions	<u>888</u>
 <u>Deductions:</u>	
Non-Instructional	<u>738</u>
Total Deductions	738
 Change in Net Assets	 150
 Net Assets at Beginning of Year	 <u>16,813</u>
Net Assets at End of Year	<u>\$ 16,963</u>

See Accompanying Notes to the Basic Financial Statements

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

Note 1 - Description of the School District and Reporting Entity

Elgin Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1960. The School District serves an area of approximately one hundred sixty-four square miles. It is located in Delaware, Hardin, and Marion Counties. The School District is the 340th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by seventy-two classified employees, one hundred twelve certified teaching personnel, and eight administrative employees who provide services to 1,603 students and other community members. The School District currently operates two elementary schools, a junior high school, a high school, and an administration building.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Elgin Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Elgin Local School District

The School District participates in five jointly governed organizations and two insurance pools. These organizations are the Tri-Rivers Educational Computer Association, Tri-Rivers Joint Vocational School, North Central Ohio Special Education Regional Resource Center, Northwestern Ohio Educational Research Council, Inc., North Central Regional Professional Development Center, Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 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. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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, 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 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, grants, interest, tuition, student fees, and charges for services.

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

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

The appropriation 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 appropriation 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 the North Central Ohio Educational Service Center are reflected as "Cash and Cash Equivalents with Fiscal Agent".

During fiscal year 2007, investments were limited to STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$137,695, which includes \$14,524 assigned from other School District funds.

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. There were no restricted assets as of June 30, 2007.

J. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand five hundred dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

K. Compensated Absences (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.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for federal and state grants restricted to expenditure for specified purposes. As of June 30, 2007, there were no net assets restricted by enabling legislation.

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

N. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, facilities expansion, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for facilities expansion represents the current school boards intent to utilize these funds for future school building construction.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 2 - Summary of Significant Accounting Policies (continued)

O. Interfund Transactions

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

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

Q. Estimates

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

Note 3 – Accountability

At June 30, 2007, the Educational Management Information System and Title I special revenue funds had deficit fund balances, in the amount of \$1,839, and \$12,371, 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 4 - Budgetary Basis of Accounting

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 4 - Budgetary Basis of Accounting (continued)

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

Changes in Fund Balance	
GAAP Basis	(\$1,011,338)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	1,037,790
Accrued FY 2007, Not Yet Received in Cash	(1,009,906)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,476,635)
Accrued FY 2007, Not Yet Paid in Cash	1,528,975
Prepaid Items	8,430
Materials and Supplies Inventory	10,767
Advances Out	(100,317)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(237,074)
Budget Basis	<u><u>(\$1,249,308)</u></u>

Note 5 - Deposits and Investments

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

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

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 5 - Deposits and Investments (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

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

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 5 - Deposits and Investments (continued)

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, \$102,081 of the School District's bank balance of \$202,081 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2007, the fair value of funds on deposit with STAR Ohio was \$1,688,910. The School District's investment in STAR Ohio had an average maturity of 38.9 days. STAR Ohio carries a rating of AAA by Standards and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 - Receivables

Receivables at June 30, 2007, consisted of accounts (student fees and billings for user charged services), intergovernmental, 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 are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Marion County	\$356
State Teachers Retirement System	4,797
Tri-Rivers JVS	9,180
Total General Fund	<u>14,333</u>
Other Governmental Funds	
Food Service	28,140
Summer School	67,100
Project More	620
Ohio Reads	12,584

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 6 – Receivables (continued)

	Amount
CORE Grant	\$30,057
Ohio Educational Environment	4,607
Tech Prep	3,800
Ohio Integrated System Model	30,662
Title V	2,073
Drug Free	1,000
Title II-A	18,417
Title II-D	1,056
Ohio Department of Natural Resources	122,000
Total Other Governmental Funds	<u>322,116</u>
Total Intergovernmental Receivables	<u><u>\$336,449</u></u>

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 7 - Property Taxes (continued)

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$994,498 in the General Fund. The amount available as an advance at June 30, 2006, was \$1,021,589 in the General Fund.

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

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$93,158,320	61.63%	\$93,902,090	69.76%
Industrial/Commercial	14,641,580	9.69	13,978,850	10.38
Public Utility	11,186,550	7.40	11,440,960	8.50
Tangible Personal	32,159,080	21.28	15,289,086	11.36
Total Assessed Value	<u>\$151,145,530</u>	<u>100.00%</u>	<u>\$134,610,986</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$37.85		\$42.17	

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$120,433	\$0	\$0	\$120,433
Construction in Progress	411,503	60,507	(457,357)	14,653
Total Nondepreciable Capital Assets	<u>531,936</u>	<u>60,507</u>	<u>(457,357)</u>	<u>135,086</u>

(continued)

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 8 - Capital Assets (continued)

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Depreciable Capital Assets				
Land Improvements	\$48,326	\$0	\$0	\$48,326
Buildings and Building Improvements	1,827,464	457,357	0	2,284,821
Furniture, Fixtures, and Equipment Vehicles	951,493	23,809	(82,367)	892,935
	1,221,903	59,000	(41,647)	1,239,256
Total Depreciable Capital Assets	<u>4,049,186</u>	<u>540,166</u>	<u>(124,014)</u>	<u>4,465,338</u>
Less Accumulated Depreciation				
Land Improvements	(24,454)	(967)	0	(25,421)
Buildings and Building Improvements	(505,772)	(29,450)	0	(535,222)
Furniture, Fixtures, and Equipment Vehicles	(665,590)	(44,335)	78,967	(630,958)
	(881,021)	(72,295)	41,647	(911,669)
Total Accumulated Depreciation	<u>(2,076,837)</u>	<u>(147,047)</u>	<u>120,614</u>	<u>(2,103,270)</u>
Depreciable Capital Assets, Net	<u>1,972,349</u>	<u>393,119</u>	<u>(3,400)</u>	<u>2,362,068</u>
Governmental Activities Capital Assets, Net	<u>\$2,504,285</u>	<u>\$453,626</u>	<u>(\$460,757)</u>	<u>\$2,497,154</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$44,637
Special	2,362
Vocational	575
Support Services:	
Pupils	410
Administration	3,078
Fiscal	226
Operation and Maintenance of Plant	12,364
Pupil Transportation	70,423
Non-Instructional Services	3,666
Extracurricular Activities	9,306
Total Depreciation Expense	<u>\$147,047</u>

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 9 - 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 2007, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
Aggregate	3,000,000
Excess Liability	2,000,000
Automobile Liability	2,000,000
Uninsured Motorists	250,000
Building and Contents/Boiler and Machinery	24,379,482
Violence	500,000

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

For fiscal year 2007, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2007, 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.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$812,060, \$757,790, and \$723,408, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$8,214 made by the School District and \$20,715 made by plan members.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 10 - Defined Benefit Pension Plans (continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$171,827, \$160,374, and \$154,772, respectively; 48 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$63,098.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 11 - Postemployment Benefits (continued)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006 (the latest information available). For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$87,994 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 59,492 participants currently receiving health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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 forty days for classified employees and two hundred sixty-two days for certified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of sixty days for classified employees and sixty-six days for certified employees.

B. Health Care Benefits

The School District offers health and dental insurance to most employees through Medical Mutual of Ohio. In addition, the School District offers life insurance through Mutual of Omaha. 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
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 13 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
Compensated Absences	\$871,299	\$126,388	\$46,381	\$951,306	\$48,886

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

The School District's overall debt margin was \$9,709,285 with an unvoted debt margin of \$107,881 at June 30, 2007.

Note 14 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	\$101,083	\$0
Current Year Set Aside Requirement	247,455	247,455
Qualifying Expenditures	(413,980)	(247,455)
Balance June 30, 2007	(\$65,442)	\$0

Note 15 - Interfund Transfers

During fiscal year 2007, the General Fund made transfers to other governmental funds, in the amount of \$49,790, to subsidize various programs in other funds.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 16 – Interfund Assets/Liabilities

At June 30, 2007, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$100,317, to provide cash flow resources until the receipt of grant monies.

Note 17 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$10,000, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$6,963 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 18 - Jointly Governed Organizations

A. Tri-Rivers Educational Computer Association

The School District is a participant in the Tri-Rivers Educational Computer Association (TRECA), which is a computer consortium. TRECA is an association of public school districts within the boundaries of Delaware, Knox, Marion, Morrow, Muskingum, and Wyandot Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of TRECA consists of one representative from each county elected by majority vote of all charter member school districts within each county, one representative from the city school districts, and the superintendent from Tri-Rivers Joint Vocational School. During fiscal year 2007, the School District paid \$55,573 to TRECA for various services. Financial information can be obtained from TRECA, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

B. Tri-Rivers Joint Vocational School

The Tri-Rivers Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the ten participating school districts' Board of Education. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Tri-Rivers Joint Vocational School, 2222 Marion Mt. Gilead Road, Marion, Ohio 43302.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 18 - Jointly Governed Organizations (continued)

C. North Central Ohio Special Education Regional Resource Center

The North Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a forty-seven member board including the superintendent from the forty-two participating educational entities, one representative from a non-public school, one representative from Knox County Educational Service Center, one representative from Ashland University, and two parents of children with disabilities. The degree of control exercised by any participating educational entity is limited to its representative on the Board. Financial information can be obtained from the Knox County Educational Service Center, 308 Martinsburg Road, Mt. Vernon, Ohio 43050.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

E. North Central Regional Professional Development Center

The North Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Crawford, Huron, Knox, Marion, Morrow, Richland, Seneca, and Wyandot Counties. The organization was formed to create and sustain self-renewing learning communities to transform education in Ohio so that all learners can achieve their full potential. The Center is governed by a twenty-one member Board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Mid-Ohio Educational Service Center, 1495 West Longview Avenue, Suite 202, Mansfield, Ohio 44906.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Note 19 - Insurance Pools

A. Ohio School Plan

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

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

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 20 - 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, 2007.

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, the Corporation may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$36,265 per year. A portion of the refund may be recovered from additional State entitlement payments.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
Pass Through Grantor Program Title						
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$ -	\$ 46,610	\$ -	\$ 46,610
Nutrition Cluster:						
School Breakfast Program	048413-05PU-2006 048413-05PU-2007	10.553	3,241 <u>24,533</u>	- -	3,241 <u>24,533</u>	- -
Total Federal School Breakfast Program			<u>27,774</u>	-	<u>27,774</u>	-
National School Lunch Program	048413-LLP4-2006 048413-LLP4-2007	10.555	26,889 <u>136,337</u>	- -	26,889 <u>136,337</u>	- -
Total National School Lunch Program			<u>163,226</u>	-	<u>163,226</u>	-
Summer Food Service Program for Children	048413-24PU-2006	10.559	7,052	-	7,052	-
Total Nutrition Cluster			<u>198,052</u>	-	<u>198,052</u>	-
Total U.S. Department of Agriculture			<u>198,052</u>	<u>46,610</u>	<u>198,052</u>	<u>46,610</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	048413-6BSD-2007 048413-6BSF-2007	84.027	31,886 <u>370,181</u>	- -	31,886 <u>369,934</u>	- -
Total Special Education Grants to States			<u>402,067</u>	-	<u>401,820</u>	-
Title I Grants to Local Educational Agencies	048413-C1S1-2006 048413-C1S1-2007	84.010	- <u>112,826</u>	- -	674 <u>110,819</u>	- -
Total Title I Grants to Local Educational Agencies			<u>112,826</u>	-	<u>111,493</u>	-
State Grants for Innovative Programs	048413-C2S1-2006 048413-C2S1-2007	84.298	- <u>230</u>	- -	1,403 <u>600</u>	- -
Total State Grants for Innovative Programs			<u>230</u>	-	<u>2,003</u>	-
Improving Teacher Quality State Grants	048413-TRS1-2006 048413-TRS1-2007	84.367	- <u>19,825</u>	- -	8,892 <u>29,846</u>	- -
Total Improving Teacher Quality State Grants			<u>19,825</u>	-	<u>38,738</u>	-
Safe and Drug-Free Schools and Communities State Grants	048413-DRS1-2006 048413-DRS1-2007	84.186	- <u>2,470</u>	- -	1,000 <u>3,016</u>	- -
Total Safe and Drug-Free Schools and Communities State Grants			<u>2,470</u>	-	<u>4,016</u>	-
Education Technology State Grants	048413-TJS1-2006 048413-TJS1-2007	84.318	- <u>118</u>	- -	870 <u>300</u>	- -
Total Education Technology State Grants			<u>118</u>	-	<u>1,170</u>	-
Total U.S. Department of Education			<u>537,536</u>	-	<u>559,240</u>	-
TOTAL FEDERAL AWARDS			<u>\$ 735,588</u>	<u>\$ 46,610</u>	<u>\$ 757,292</u>	<u>\$ 46,610</u>

The accompanying notes to this schedule are an integral part of this schedule.

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the 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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated November 30, 2007.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated November 30, 2007.

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

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

Mary Taylor, CPA
Auditor of State

November 30, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Elgin Local School District, Marion County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Elgin Local School District, Marion County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007. In a separate letter to the District's management dated November 30, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

November 30, 2007

**ELGIN LOCAL SCHOOL DISTRICT
MARION COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I – CFDA # 84.010 Nutrition Cluster – CFDA # 10.553, 10.555, and 10.559
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**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



Mary Taylor, CPA
Auditor of State

ELGIN LOCAL SCHOOL DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**