



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Mary Taylor, CPA**  
Auditor of State



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Table of Contents**

<b>Title</b>	<b>Page</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	10
Statement of Activities .....	11
Fund Financial Statements:	
Balance Sheet.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual Comparison - General Fund.....	16
Statement of Fiduciary Net Assets - Fiduciary Fund .....	17
Notes to the Basic Financial Statements .....	18
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	43

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Edgerton Local School District  
Williams County  
111 East River Street  
Edgerton, Ohio 43517-9623

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2006, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, Ohio, as of June 30, 2006, and the respective changes in financial position 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 February 27, 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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.

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

**Mary Taylor, CPA**  
Auditor of State

February 27, 2007

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited**

The discussion and analysis of the Edgerton Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets decreased \$386,955.
- General revenues accounted for \$5,721,573, or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$891,663, or 13 percent of total revenues of \$6,613,236.
- The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had \$5,075,778 in revenues and \$5,400,741 in expenditures and other financing uses. The General Fund's balance decreased \$324,963 from the prior fiscal year. The Bond Retirement Fund had \$659,623 in revenues and \$642,353 in expenditures. The Bond Retirement Fund's balance increased \$17,270 from the prior fiscal year.
- The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

**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 the 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 District, presenting both an aggregate view of the 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 District's most significant funds with all other non-major funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Bond Retirement Fund are the two major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

These statements report the 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 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. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity, its governmental activities which include all of its programs and services such as instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

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

Governmental Funds - Most of the 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 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2006</b>	<b>Restated 2005</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$4,442,725	\$5,010,201
Capital Assets, Net	10,975,462	11,306,672
Total Assets	15,418,187	16,316,873
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	2,551,533	2,902,521
Long-Term Liabilities	9,361,213	9,521,956
Total Liabilities	11,912,746	12,424,477
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	2,369,443	2,430,651
Restricted	385,243	352,337
Unrestricted	750,755	1,109,408
Total	\$3,505,441	\$3,892,396

The drop in current assets was due to the final construction expenses on the new District high school with revenues remaining approximately the same. Capital assets decreased as a result of depreciation. Current liabilities decreased primarily due to a decrease in accrued wages and benefits. The decrease in net assets was also attributed to completion of the new District high school.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<u>2006</u>	<u>Restated 2005</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services and Sales	\$403,104	\$403,028
Operating Grants and Contributions	488,559	466,939
Total Program Revenues	<u>891,663</u>	<u>869,967</u>
General Revenues:		
Property Taxes	2,223,880	2,271,898
Income Taxes	664,286	629,710
Grants and Entitlements	2,638,736	2,493,228
Interest	88,593	67,296
Payments in Lieu of Taxes	61,617	61,103
Miscellaneous	44,461	77,480
Total General Revenues	<u>5,721,573</u>	<u>5,600,715</u>
Total Revenues	<u>6,613,236</u>	<u>6,470,682</u>
<b>Expenses:</b>		
Instruction	3,518,517	2,813,455
Support Services:		
Pupils	293,100	293,462
Instructional Staff	282,093	345,492
Board of Education	37,975	27,102
Administration	447,861	597,725
Fiscal	277,640	274,107
Operation and Maintenance of Plant	733,879	707,135
Pupil Transportation	214,773	267,462
Central	29,026	28,585
Non-Instructional	311,955	353,961
Extracurricular Activities	246,243	230,543
Capital Outlay	114,851	
Interest and Fiscal Charges	492,278	498,578
Total Expenses	<u>7,000,191</u>	<u>6,437,607</u>
Increase (Decrease) in Net Assets	<u>(\$386,955)</u>	<u>\$33,075</u>

Total revenues increased 2% which was primarily attributed to an increase in state and federal grants. Expenditures increased approximately 9% which was primarily attributed to an increase in depreciation of buildings used in instructional activities.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
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 and sales, 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**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Restated Total Cost of Services</b>	<b>Restated Net Cost of Services</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Instruction	\$3,518,517	\$3,173,154	\$2,813,455	\$2,496,589
Support Services:				
Pupils	293,100	174,662	293,462	148,981
Instructional Staff	282,093	273,243	345,492	340,006
Board of Education	37,975	37,975	27,102	27,102
Administration	447,861	445,861	597,725	590,725
Fiscal	277,640	277,640	274,107	274,107
Operation and Maintenance of Plant	733,879	733,879	707,135	707,135
Pupil Transportation	214,773	214,773	267,462	267,462
Central	29,026	20,026	28,585	19,585
Non-Instructional	311,955	(1,531)	353,961	50,991
Extracurricular Activities	246,243	151,717	230,543	146,379
Capital Outlay	114,851	114,851		
Interest and Fiscal Charges	492,278	492,278	498,578	498,578
Total Expenses	<u>\$7,000,191</u>	<u>\$6,108,528</u>	<u>\$6,437,607</u>	<u>\$5,567,648</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 87 percent. The remaining 13 percent are derived from charges for services and sales and operating grants and contributions.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Bond Retirement Fund. Total governmental funds had revenues and other financing sources of \$6,589,833 and expenditures and other financing uses of \$6,884,641.

The net change in fund balance in the General fund reflects a decrease of \$324,963, down \$187,798 from 2005. This was due to an increase in revenues of \$70,947 while expenditures decreased \$116,851. Expenditures decreased due to a decrease in number of pay periods (27 in 2005 and 26 in 2006) and the elimination of a middle school principal in 2006. The net change in fund balance in the Bond Retirement fund reflects an increase of \$17,270, up only \$2 from 2005. This was due to an increase in revenues in proportion to an increase in debt expenditures.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**General Fund Budgeting Highlights**

The 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 the course of fiscal year 2006, the District amended its General Fund budget as needed.

Actual revenues exceeded final budget revenues by \$283,110 due primarily to unexpected increases in property taxes, income taxes, intergovernmental revenue, and interest.

Final expenditures were budgeted at \$6,652,872 while actual expenditures were \$5,615,458. The \$1,037,414 difference is primarily due to appropriating to the maximum amount certified by the county auditor. The District did not have to utilize any contingency monies for unexpected expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the District had \$10,975,462 invested in capital assets (net of accumulated depreciation) for governmental activities which is a decrease of \$331,210 over 2005 which is primarily attributed to depreciation.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

**Debt**

At June 30, 2006, the District had \$8,995,924 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-eight year period, with final maturity on December 1, 2030. The District had \$11,032 in asbestos removal notes. The notes were issued for a seventeen-year period, with final maturity on November 30, 2008. The District's energy conservation bonds were retired during the fiscal year. All bonds and notes are being retired through the Bond Retirement fund.

At June 30, 2006, the District's overall legal debt margin was (\$3,831,783) with an un-voted debt margin of \$57,379.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The District is looking toward new avenues of funding in the state of a declining economy and uncertainty in State funding. Edgerton is a small rural community of 2,500 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 48 percent of District revenue sources is from local funds, 46 percent is from state funds and the remaining 6 percent is from federal funds. The total expenditure per pupil was calculated at \$8,177.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

In November 2006, the District placed a new 1 percent income tax levy on the ballot. This levy would provide a source of funds for the financial operations and stability of the District. This levy failed. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the 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 Margie Rinkel, Treasurer, Edgerton Local School District, 111 E. River Street, Edgerton, Ohio 43517-9623.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Net Assets  
June 30, 2006**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	1,711,671
Materials and Supplies Inventory		273,860
Accrued Interest Receivable		4,665
Accounts Receivable		926
Taxes Receivable		2,172,121
Income Taxes Receivable		279,482
Non-Depreciable Capital Assets		176,328
Depreciable Capital Assets, net		10,799,134
Total Assets		<u>15,418,187</u>
<b>LIABILITIES:</b>		
Accounts Payable		9,337
Accrued Wages and Benefits		440,559
Intergovernmental Payable		126,707
Matured Compensated Absences Payable		32,546
Deferred Revenue		1,942,384
Long-Term Liabilities:		
Due Within One Year		217,060
Due in More Than One Year		9,144,153
Total Liabilities		<u>11,912,746</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		2,369,443
Restricted for Debt Service		217,542
Restricted for Capital Outlay		97,553
Restricted for Other Purposes		70,148
Unrestricted		750,755
Total Net Assets	\$	<u><u>3,505,441</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 2,649,417	\$ 152,151	\$ 60,445	\$ (2,436,821)
Special	439,098		132,767	(306,331)
Vocational	169,595			(169,595)
Other	260,407			(260,407)
Support Services:				
Pupils	293,100		118,438	(174,662)
Instructional Staff	282,093		8,850	(273,243)
Board of Education	37,975			(37,975)
Administration	447,861		2,000	(445,861)
Fiscal	277,640			(277,640)
Operation and Maintenance of Plant	733,879			(733,879)
Pupil Transportation	214,773			(214,773)
Central	29,026		9,000	(20,026)
Operation of Non-Instructional Services	311,955	156,427	157,059	1,531
Extracurricular Activities	246,243	94,526		(151,717)
Capital Outlay	114,851			(114,851)
Debt Service:				
Interest and Fiscal Charges	492,278			(492,278)
<b>Totals</b>	<b>\$ <u>7,000,191</u></b>	<b>\$ <u>403,104</u></b>	<b>\$ <u>488,559</u></b>	<b>\$ <u>(6,108,528)</u></b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,549,742
Property Taxes, Levied for Capital Outlay				98,728
Property Taxes, Levied for Debt Service				575,410
Income Taxes				664,286
Grants and Entitlements not Restricted to Specific Programs				2,638,736
Investment Earnings				88,593
Payments in Lieu of Taxes				61,617
Miscellaneous				44,461
<b>Total General Revenues</b>				<b><u>5,721,573</u></b>
Change in Net Assets				(386,955)
Net Assets Beginning of Year				3,892,396
Net Assets End of Year			\$	<b><u>3,505,441</u></b>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2006**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,370,550	\$ 176,744	\$ 164,377	\$ 1,711,671
Materials and Supplies Inventory	251,385		22,475	273,860
Accrued Interest Receivable	4,665			4,665
Intergovernmental Receivable			926	926
Taxes Receivable	1,516,041	539,053	117,027	2,172,121
Income Taxes Receivable	279,482			279,482
<b>Total Assets</b>	<b>\$ 3,422,123</b>	<b>\$ 715,797</b>	<b>\$ 304,805</b>	<b>\$ 4,442,725</b>
<b>Liabilities</b>				
Accounts Payable	2,422		6,915	9,337
Accrued Wages and Benefits	424,926		15,633	440,559
Intergovernmental Payable	117,229		9,478	126,707
Matured Compensated Absences Payable	32,546			32,546
Deferred Revenue	1,468,410	514,272	110,006	2,092,688
	<b>2,045,533</b>	<b>514,272</b>	<b>142,032</b>	<b>2,701,837</b>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	47,838		15,123	62,961
Reserved for Inventory	251,385		22,475	273,860
Reserved for Property Taxes	100,530	24,781	7,021	132,332
Unreserved, Undesignated, Reported in:				
General Fund	976,837			976,837
Special Revenue Funds			41,760	41,760
Debt Service Funds		176,744		176,744
Capital Projects Funds			76,394	76,394
<b>Total Fund Balances</b>	<b>1,376,590</b>	<b>201,525</b>	<b>162,773</b>	<b>1,740,888</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,422,123</b>	<b>\$ 715,797</b>	<b>\$ 304,805</b>	<b>\$ 4,442,725</b>

See Accompanying Notes to the Basic Financial Statements



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2006**

Total Governmental Fund Balances	\$	1,740,888
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; therefore, they are not reported in the funds.		10,975,462
Property Tax and Income Tax Receivable are not available to pay for current period expenditures; therefore, they are deferred in the funds.		150,304
Some liabilities are not due and payable in the current period; therefore, they are not reported in the funds:		
General Obligation Bonds Payable	\$	(9,006,956)
Compensated Absences Payable		<u>(354,257)</u>
		(9,361,213)
Net Assets of Governmental Activities	\$	<u><u>3,505,441</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 1,536,957	\$ 573,306	\$ 98,081	\$ 2,208,344
Income Tax	654,169			654,169
Intergovernmental	2,578,373	79,083	469,839	3,127,295
Interest	78,784	7,234	2,575	88,593
Tuition and Fees	130,323		21,828	152,151
Extracurricular Activities			94,526	94,526
Customer Sales and Services			156,427	156,427
Payments in Lieu of Taxes	61,617			61,617
Miscellaneous	35,555		8,906	44,461
Total Revenues	<u>5,075,778</u>	<u>659,623</u>	<u>852,182</u>	<u>6,587,583</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,341,390		62,019	2,403,409
Special	308,707		151,445	460,152
Vocational	164,396			164,396
Other	260,407			260,407
Support Services:				
Pupils	172,748		118,438	291,186
Instructional Staff	266,901		8,850	275,751
Board of Education	37,975			37,975
Administration	471,743		2,000	473,743
Fiscal	265,214	13,720	3,023	281,957
Operation and Maintenance of Plant	707,135		1,236	708,371
Pupil Transportation	212,704		8,320	221,024
Central	20,026		9,000	29,026
Operation of Non-Instructional Services			314,339	314,339
Extracurricular Activities	169,145		79,363	248,508
Capital Outlay			83,514	83,514
Debt Service:				
Principal		270,000		270,000
Interest		358,633		358,633
Total Expenditures	<u>5,398,491</u>	<u>642,353</u>	<u>841,547</u>	<u>6,882,391</u>
Excess of Revenues Over (Under) Expenditures	<u>(322,713)</u>	<u>17,270</u>	<u>10,635</u>	<u>(294,808)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In			2,250	2,250
Transfers Out	(2,250)			(2,250)
Total Other Financing Sources and Uses	<u>(2,250)</u>		<u>2,250</u>	
Net Change in Fund Balances	(324,963)	17,270	12,885	(294,808)
Fund Balance at Beginning of Year	1,701,553	184,255	149,888	2,035,696
Fund Balance at End of Year	<u>\$ 1,376,590</u>	<u>\$ 201,525</u>	<u>\$ 162,773</u>	<u>\$ 1,740,888</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ (294,808)

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

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

Capital Outlay - Depreciable Capital Assets	\$	506,770	
Depreciation		<u>(640,458)</u>	(133,688)

The cost of the capital assets is removed from the capital asset account on the statement of net assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets			(197,522)
------------------------------------	--	--	-----------

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

Income Taxes		10,117	
Delinquent Property Taxes		<u>15,536</u>	25,653

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

270,000

Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.

(133,645)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds:

Intergovernmental Payable		52,667	
Compensated Absences Payable		<u>24,388</u>	<u>77,055</u>

Change in Net Assets of Governmental Activities	\$		<u><u>(386,955)</u></u>
---	----	--	-------------------------

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual Comparison  
General Fund  
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 1,488,013	\$ 1,488,013	\$ 1,579,433	\$ 91,420
Income Tax	621,000	621,000	655,798	34,798
Intergovernmental	2,450,111	2,450,111	2,578,373	128,262
Interest	40,000	40,000	75,675	35,675
Tuition and Fees	132,500	132,500	130,323	(2,177)
Payments in Lieu of Taxes	61,617	61,617	61,617	
Miscellaneous	44,485	44,485	39,492	(4,993)
Total Revenues	<u>4,837,726</u>	<u>4,837,726</u>	<u>5,120,711</u>	<u>282,985</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,313,193	2,501,622	2,422,818	78,804
Special	184,375	318,629	315,199	3,430
Vocational	147,948	163,173	162,498	675
Other	221,000	261,100	260,299	801
Support Services:				
Pupils	130,185	184,000	172,936	11,064
Instructional Staff	547,507	502,289	317,118	185,171
Board of Education	30,351	40,721	39,702	1,019
Administration	514,931	537,156	508,385	28,771
Fiscal	250,968	264,279	263,735	544
Operation and Maintenance of Plant	787,597	800,617	723,015	77,602
Pupil Transportation	282,976	234,716	230,707	4,009
Central	20,000	28,727	20,026	8,701
Extracurricular Activities	177,912	252,497	166,770	85,727
Capital Outlay	10,000			
Total Expenditures	<u>5,618,943</u>	<u>6,089,526</u>	<u>5,603,208</u>	<u>486,318</u>
Excess of Expenditures Over Revenues	<u>(781,217)</u>	<u>(1,251,800)</u>	<u>(482,497)</u>	<u>769,303</u>
Other Financing Sources and Uses:				
Refund of Prior Years Receipt			125	125
Advances In	10,000	10,000	10,000	
Transfers Out	(1,018,927)	(553,346)	(2,250)	551,096
Advances Out	(15,000)	(10,000)	(10,000)	
Total Other Financing Sources and Uses	<u>(1,023,927)</u>	<u>(553,346)</u>	<u>(2,125)</u>	<u>551,221</u>
Net Change in Fund Balances	(1,805,144)	(1,805,146)	(484,622)	1,320,524
Fund Balance at Beginning of Year	1,706,081	1,706,081	1,706,081	
Prior Year Encumbrances Appropriated	99,062	99,062	99,062	
Fund Balance at End of Year	<u>\$ (1)</u>	<u>\$ (3)</u>	<u>\$ 1,320,521</u>	<u>\$ 1,320,524</u>

See Accompanying Notes to the Basic Financial Statements

EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

	<u>Agency Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>34,705</u>
Total Assets	<u>34,705</u>
<b>Liabilities</b>	
Undistributed Monies	<u>34,705</u>
Total Liabilities	\$ <u><u>34,705</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Edgerton Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Edgerton Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's three instructional/support facilities staffed by 31 non-certified and 51 certified full-time teaching personnel who provide services to 649 students and other community members.

**The Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with nine organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwest Ohio Education Council, the Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Northwest Ohio Educational Council Self-Insurance Pool Program. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 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 District's accounting policies.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide 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.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the 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 District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the 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 and contributions 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. 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 District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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 General Fund and the Bond Retirement Fund are the District's major governmental funds:

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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of 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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on 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 statements for governmental funds.

**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 bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**E. Budgetary Process**

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The certificate of estimated resources may be amended during the 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 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 District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2006, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. 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, 2006.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$78,784, which included \$5,554 from other funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased. Inventories in governmental funds consist of expendable supplies held for consumption, donated foods, and purchased foods.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**H. Capital Assets**

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$500 dollars. The District does not possess 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 reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**I. 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 that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 District's termination policy.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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

All payables, accrued liabilities, and long-term obligations are reported in 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. There were no net assets restricted by enabling restriction.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity 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 of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**M. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

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.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**N. 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.

**O. Pass-Through Grants**

The Special Education Preschool Grant special revenue fund is a pass-through grant in which the Northwest Ohio Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**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 the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

**3. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2006, the District has implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation." GASB Statement No. 46 defines enabling legislature and specifies how new assets should be reported in the financial statements when there are changes in legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation. The implementation of GASB Statement No. 46 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

In addition, the District overstated accumulated prior year depreciation related to building and building improvements. The effect of this change resulted in a restatement of net assets at July 1, 2005, as follows:

Net Assets, as previously reported, June 30, 2005	\$ 3,045,265
Depreciation change	<u>847,131</u>
Net Assets, as restated at July1, 2005	\$ <u>3,892,396</u>

**4. ACCOUNTABILITY**

The Food Service Fund had a deficit fund balance of \$14,590 at June 30, 2006. This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

While the 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 Budgetary Basis) and Actual presented 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 fund financial statements are the following:

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<b>Net Change in Fund Balance Major Governmental Fund</b>	
	<b>General</b>
GAAP Basis	(\$324,963)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	376,836
Accrued FY 2006, Not Yet Received in Cash	(331,903)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(480,427)
Accrued FY 2006, Not Yet Paid in Cash	325,863
Encumbrances Outstanding at Year End (Budget Basis)	(50,028)
Budget Basis	(\$484,622)

**6. DEPOSITS AND INVESTMENTS**

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

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. DEPOSITS AND INVESTMENTS – (Continued)**

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

Interim 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 District can 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 that the market value of the securities subject to the repurchase must exceed the principal value of the agreement by at least 2% 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 through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

At year end, the District had \$100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. DEPOSITS AND INVESTMENTS – (Continued)**

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$494,030 of the District's bank balance of \$1,872,481 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial 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 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 one hundred five percent of the deposits being secured.

Investments

As of June 30, 2006, the District's only investment was \$25,000 in STAR Ohio.

Credit Risk – STAR Ohio carries a rating of AAAm by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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 real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**7. PROPERTY TAXES – (Continued)**

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value. 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.

The District receives property taxes from Williams and Defiance Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$100,530 in the General Fund, \$24,781 in the Bond Retirement Fund, and \$7,021 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2005, was \$143,006 in the General Fund, \$35,191 in the Bond Retirement Fund, and \$10,028 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$46,718,510	68%	\$47,298,430	67%
Industrial/Commercial	6,738,080	10%	7,270,390	10%
Public Utility	5,352,870	7%	4,624,620	7%
Tangible Personal	10,315,036	15%	11,132,678	16%
Total Assessed Value	<u>\$69,124,496</u>	<u>100%</u>	<u>\$70,326,118</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$51.60		\$51.60	

**8. INCOME TAX**

In 1991, the voters of the Edgerton Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2006, the District recorded income tax revenue of \$654,169 in the General Fund, of which \$279,482 is recorded as a receivable at June 30, 2006.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**9. RECEIVABLES**

Receivables at June 30, 2006, consisted of accrued interest, intergovernmental, property tax, and income 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.

**10. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$176,328			\$176,328
Total Nondepreciable Capital Assets	<u>176,328</u>			<u>176,328</u>
Depreciable Capital Assets				
Land Improvements	506,535		(\$196,606)	309,929
Buildings and Building Improvements	11,820,760	\$372,926		12,193,686
Furniture, Fixtures, and Equipment	2,050,859	107,055	(790)	2,157,124
Vehicles	806,285	26,789	(14,733)	818,341
Total Depreciable Capital Assets	<u>15,184,439</u>	<u>506,770</u>	<u>(212,129)</u>	<u>15,479,080</u>
Less Accumulated Depreciation				
Land Improvements	(85,713)	(36,323)		(122,036)
Buildings and Building Improvements	(2,426,039)	(366,022)		(2,792,061)
Furniture, Fixtures, and Equipment	(1,044,772)	(185,552)	790	(1,229,534)
Vehicles	(497,571)	(52,561)	13,817	(536,315)
Total Accumulated Depreciation	<u>(4,054,095)</u>	<u>(640,458)</u>	<u>14,607</u>	<u>(4,679,946)</u>
Depreciable Capital Assets, Net	<u>11,130,344</u>	<u>(133,688)</u>	<u>(197,522)</u>	<u>10,799,134</u>
Governmental Activities Capital Assets, Net	<u>\$11,306,672</u>	<u>(\$133,688)</u>	<u>(\$197,522)</u>	<u>10,975,462</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	533,376
Special	5,369
Vocational	6,228
Support Services:	
Instructional Staff	15,183
Administration	3,213
Fiscal	2,167
Operation and Maintenance of Plant	38,615
Non-Instructional Services	4,970
Capital Outlay	31,337
Total Depreciation Expense	<u>\$640,458</u>

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**11. RISK MANAGEMENT**

**A. Northwest Ohio Educational Council Self-Insurance Pool Program**

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (the Program), a public entity insurance purchasing pool, which consists of school districts within Northwest Ohio. The District pays annual premiums into the program for comprehensive insurance coverage including liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured. The Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing.

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 last year.

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees which include health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 18). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims, and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment, or other fees and perform its obligations in accordance with the terms of the agreement.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the SERS, 300 East Broad Street., Suite 100, Columbus, Ohio 43215-3634 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$96,027, \$96,958, and \$78,632, respectively. 69 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contributions for fiscal year 2006 are \$29,826.

**B. State Teachers Retirement System**

The 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and 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 for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling toll free (888) 227-7877. It is also posted on STRS' website, [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. DEFINED PENSION BENEFIT PLANS – (Continued)**

Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan 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.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$366,780, \$343,091, and \$331,941, respectively. 84 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is \$57,272.

**13. POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$26,199 for fiscal year 2006.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS – (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio 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 retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$43,322.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**14. COMPENSATED ABSENCES**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 26 days. Employees with less than one year of service also accrue vacation, according to the Ohio Revised Code, not to exceed 10 days. Employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee retiring with five to nineteen years of service to the District is limited to 25 percent of the accumulated sick leave. Employees retiring with twenty or more years of service to the District are paid 30 percent of their accumulated sick leave. The amount of accumulated sick leave for all employees is limited to 220 days with a maximum of 197 days for retirement purposes.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2006, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/06</u>	<u>Due Within One Year</u>
Energy Conservation Bonds	\$40,000		\$40,000		
General Obligation Bonds	8,290,000		225,000	\$8,065,000	
General Obligation Capital					
Appreciation Bonds	797,279	\$133,645		930,924	\$212,060
EPA Asbestos Notes	16,032		5,000	11,032	5,000
Total Long-Term Bonds and Notes	<u>9,143,311</u>	<u>133,645</u>	<u>270,000</u>	<u>9,006,956</u>	<u>217,060</u>
Compensated Absences	378,645		24,388	354,257	
Total Long-Term Obligations	<u>\$9,521,956</u>	<u>\$133,645</u>	<u>\$294,388</u>	<u>\$9,361,213</u>	<u>\$217,060</u>

Debt outstanding at June 30, 2006, consisted of School Energy Conservation Bonds totaling \$80,000, an Asbestos Abatement Note totaling \$21,032, and School Improvement Bonds totaling \$9,158,634 (interest rates were 5 percent for the energy conservation bonds, the note was free of interest, and the interest rates for the school improvement bonds were 2 percent to 4.6 percent). The bonds were issued in August 1996 and will mature in September 2005. The note was issued in June 1991 and will mature in November 2008. The school improvement bonds were issued in September 2002 and will mature December 2030.

**School Improvement Bonds – 2002**

The District issued \$9,374,988 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bonds were issued on September 18, 2002. The bond issue included current interest, term, and capital appreciation bonds in the amount of \$4,770,000, \$4,075,000 and \$529,988, respectively. The bonds will be retired with a voted property tax levy from the Bond Retirement Debt Service Fund.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$270,000	3.35%
2012	280,000	3.45%
2013	290,000	3.60%
2014	300,000	3.00%
2015	310,000	3.85%
2016	320,000	4.00%
2017	335,000	4.10%
2018	345,000	4.20%
2019	360,000	4.30%
2020	375,000	4.40%
2021	395,000	4.50%
2022	410,000	4.60%

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. LONG-TERM OBLIGATIONS – (Continued)**

The term bonds maturing on December 1, 2027 have an interest rate of 4.75 percent per year and are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Redemption Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2023	\$ 430,000
2024	450,000
2025	470,000
2026	495,000

Unless otherwise called for redemption, the remaining \$520,000 principal amount of the bonds due December 31, 2027 is to be paid at stated maturity.

The term bonds maturing on December 1, 2030, have an interest rate of 4.75 percent per year and are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2028, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Redemption Date (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2028	\$ 545,000
2029	570,000

Unless otherwise called for redemption, the remaining \$355,000 principal amount of the bonds due December 1, 2030 is to be paid at stated maturity.

The Current Interest Bonds maturing on December 1, 2012, and thereafter are subject to optional redemption, in whole or in part on any date in inverse order of maturity, by lot within the maturity, at the option of the District on or after December 1, 2012, at the redemption price of 100 percent.

If fewer than all of the outstanding Current Interest Bonds of a single maturity are called for redemption, the selection of Current Interest Bonds to be redeemed, or portion thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar in any manner which the Paying Agent or Registrar may determine.



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. LONG-TERM OBLIGATIONS – (Continued)**

The capital appreciation bonds were issued in the aggregate original principal amount of \$529,988 and mature on December 1, in the years, have the original amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2006	\$128,242	\$212,060
2007	124,111	211,644
2008	106,769	188,384
2009	91,851	168,201
2010	79,015	150,635

The value of the capital appreciation bonds reported at June 30, 2006, was \$930,924. The annual accretion of interest is based on the straight-line method. A total accreted interest of \$400,936 has been included in the value. The bonds are being retired through the Bond Retirement Debt Service fund.

Total expenditures for interest for the above debt for the period ended June 30, 2006 was \$358,633.

The scheduled payments of principal and interest on debt outstanding at June 30, 2006 are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 217,061	\$ 383,322	\$ 600,383
2008	216,644	413,738	630,382
2009	189,416	436,998	626,414
2010	168,201	457,181	625,382
2011	150,635	474,747	625,382
2012-2016	1,450,000	1,662,273	3,112,273
2017-2021	1,735,000	1,361,647	3,096,647
2022-2026	2,155,000	943,582	3,098,582
2027-2031	2,725,000	382,687	3,107,687
Total	<u>\$ 9,006,957</u>	<u>\$ 6,516,175</u>	<u>\$ 15,523,132</u>

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**16. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by state statute.

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2005	(\$416,915)	
Current Year Set-aside Requirement	89,286	\$89,286
Current Year Offsets		(112,785)
Qualifying Disbursements	(85,855)	
Total	(413,484)	(\$23,499)
Cash Balance Carried Forward to FY 2007	(\$413,484)	

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts for capital acquisition are not presented as being carried forward to the next fiscal year.

The District has qualifying cash disbursements during the fiscal year that reduced the textbooks set-aside amount to below zero. This amount may be used to reduce the set-aside requirement in future fiscal years.

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams 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. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$28,727 for services received through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. Northwest Ohio Education Council**

The Northwest Ohio Education Council (NWOEC) was established to foster cooperation among various school districts within Ohio that participate in the Northwest Ohio Educational Council Self-Insurance Pool Program (NOEC Program). NWOEC is organized under Chapter 167.01 of the Ohio Revised Code as a regional council of governments pursuant to a written agreement entered into by its members and by policies adopted by the member school districts. NWOEC members consist of the school districts' superintendents. To obtain financial information write to Frank McKain, MARSH USA, One Seagate Center, Suite 1860, Toledo, Ohio 43604.

**E. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**F. Northwest Ohio Regional Professional Development Center**

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning. The Center is governed by a fifteen 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 Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2<sup>nd</sup> Floor, Toledo, Ohio 43602.

**18. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. The District paid \$758,163 for these services to NBEC in fiscal year 2006. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program. The District paid \$657 for these services to NBEC in fiscal year 2006.

**C. Northwest Ohio Educational Council Self-Insurance Pool Program**

The District participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NOEC Program), which is an insurance purchasing pool. The NOEC Program is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The Northwest Ohio Educational Council (NWOEC) is a Council of Governments created pursuant to Chapter 167.01 of the Ohio Revised Code. The NOEC Program is a non-profit organization to its members and an instrumentality for each member for the purpose of enabling members of the NOEC Program to provide for a formalized, joint insurance program to maintain adequate insurance protection, risk management programs, and other administrative services. The NOEC Program's business and affairs are conducted by a nine member Insurance Committee created by the governing board of the NWOEC. The NOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing. The District paid \$43,874 these services to NOEC in fiscal year 2006.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**19. INTERFUND TRANSFERS**

During the year ended June 30, 2006, the General Fund transferred \$2,250 to the Public School Support fund which is an Other Non-major Governmental funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

**20. CONTINGENCIES**

**A. Grants**

The 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 District at June 30, 2006.

**B. Litigation**

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

**This page intentionally left blank.**



# 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*

Edgerton Local School District  
Williams County  
111 East River Street  
Edgerton, Ohio 43517-9623

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 27, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### 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*. In a separate letter to the District's management dated February 27, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Mary Taylor, CPA**  
Auditor of State

February 27, 2007





Mary Taylor, CPA  
Auditor of State

EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS 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 27, 2007