



Dave Yost • Auditor of State

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2010, and the respective changes in cash financial position, thereof, and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 10, 2011

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited**

The discussion and analysis of the Edgerton Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

In total, net assets increased \$2,446,175. The increase in net assets is primarily attributed to the receipt of Ohio School Facilities Commission (OSFC) grant monies for the construction of the new Pre-K – 8 school building.

General revenues accounted for \$6,017,214, or 51 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, accounted for \$5,780,358 or 49 percent of total revenues of \$11,797,572.

The District's major funds included the General fund, the Building Construction fund and the Classroom Facilities fund.

The General fund had \$5,418,257 in receipts and other financing sources and \$5,512,177 in disbursements and other financing uses. The General fund's balance decreased \$93,920 from the prior fiscal year.

The Building Construction fund had \$32,201 in receipts and \$536,955 in disbursements. The Building Construction fund's balance decreased \$504,754 from the prior fiscal year.

The Classroom Facilities fund had \$4,583,562 in receipts and other financing sources and \$1,708,043 in disbursements. The Classroom Facilities fund's balance increased \$2,875,519 from the prior fiscal year.

The revenue generated from the 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, both reported on the cash basis, 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 the most significant fund. The General fund, the Building Construction fund and the Classroom Facilities fund are the District's three major funds.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal year 2010. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

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 cash basis statement of net assets and the statement of activities, the District discloses a single type of activity, its governmental activities, which includes all of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues 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 financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General fund, the Building Construction fund and the Classroom Facilities 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 the cash basis of accounting. 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.

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 cash basis of accounting.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009.

**Table 1
Net Assets – Cash Basis
Governmental Activities**

	<u>2010</u>	<u>2009</u>
<u>Assets:</u>		
Current and Other Assets	<u>\$7,702,918</u>	<u>\$5,256,743</u>
<u>Net Assets:</u>		
Restricted for Debt Service	427,333	376,674
Restricted for Capital Outlay	5,647,923	3,139,067
Restricted for Other Purposes	118,423	137,843
Unrestricted	<u>1,509,239</u>	<u>1,603,159</u>
Total	<u>\$7,702,918</u>	<u>\$5,256,743</u>

As mentioned previously, net assets of governmental activities increased \$2,446,175 or 47% during 2010. The primary reason attributing to the increase is the District received \$4,574,546 from the OSFC for the construction of the new Pre-K – 8 school building.

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

**Table 2
Change in Net Assets – Cash Basis
Governmental Activities**

	<u>2010</u>	<u>2009</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$494,569	\$458,804
Operating Grants and Contributions	711,243	782,862
Capital Grants and Contributions	<u>4,574,546</u>	<u>2,944,987</u>
Total Program Revenues	<u>5,780,358</u>	<u>4,186,653</u>
General Revenues:		
Property Taxes	1,953,311	1,989,849
Income Taxes	573,704	726,162
Grants and Entitlements	3,240,639	2,634,970
Investment Earnings	55,940	43,513
Miscellaneous	165,693	60,865
Refund of Prior Year Expenditures	<u>27,927</u>	<u>1,714</u>
Total General Revenues	<u>6,017,214</u>	<u>5,457,073</u>
Total Revenues	<u>11,797,572</u>	<u>9,643,726</u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited
(Continued)**

<u>Expenses:</u>		
Instruction	3,500,579	3,303,943
Support Services:		
Pupils	222,861	232,073
Instructional Staff	388,607	284,705
Board of Education	38,872	55,097
Administration	455,254	459,782
Fiscal	271,273	263,976
Business	650	
Operation and Maintenance of Plant	647,316	587,600
Pupil Transportation	240,663	233,322
Central	38,886	35,351
Non-Instructional	302,663	309,531
Extracurricular Activities	256,347	230,793
Capital Outlay	2,354,346	197,528
Principal	270,000	271,032
Interest and Fiscal Charges	355,383	355,383
Refund of Prior Year Receipts	7,697	800
Total Expenses	<u>9,351,397</u>	<u>6,820,916</u>
Increase in Net Assets	<u>\$2,446,175</u>	<u>\$2,822,810</u>

Program revenues account for 49 percent of total revenues and are represented by restricted intergovernmental revenues, extracurricular activities, and food service sales.

The major program expenses for governmental activities are for instruction, which accounts for 37 percent of all governmental expenses. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 9 percent of governmental expenses. Maintenance of the District's facilities and capital outlay also represent significant expenses of 7 and 25 percent, respectively. The remaining 22 percent of the District's expenses are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
Instruction	\$3,500,579	\$2,695,497	\$3,303,943	\$2,794,790
Support Services:				
Pupils	222,861	220,800	232,073	92,013
Instructional Staff	388,607	384,317	284,705	280,439
Board of Education	38,872	38,872	55,097	55,097
Administration	455,254	455,254	459,782	459,782
Fiscal	271,273	266,273	263,976	263,976
Business	650	650		
Operation and Maintenance of Plant	647,316	647,316	587,600	587,600
Pupil Transportation	240,663	232,865	233,322	225,331
Central	38,886	32,027	35,351	26,351
Non-Instructional	302,663	15,477	309,531	4,865
Extracurricular Activities	256,347	168,811	230,793	150,203
Capital Outlay	2,354,346	(2,220,200)	197,528	(2,783,664)
Principal	270,000	270,000	271,032	121,297
Interest and Fiscal Charges	355,383	355,383	355,383	355,383
Refund of Prior Year Receipts	7,697	7,697	800	800
Total Expenses	<u>\$9,351,397</u>	<u>\$3,571,039</u>	<u>\$6,820,916</u>	<u>\$2,634,263</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 77 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 51 percent. The remaining 49 percent are derived from charges for services, operating grants and contributions, and capital grants and contributions.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds were the General fund, the Building Construction fund, and the Classroom Facilities fund. Total governmental funds had receipts and other financing sources of \$12,062,772 and disbursements and other financing uses of \$9,616,597. The net positive change of \$2,446,175 in fund balance for the year indicates that the District was able to meet current costs.

The net change in the balance in the General fund reflects a decrease of \$93,920 (6%). This was primarily due to the following: (1) an increase in intergovernmental revenues, tuition and fees, and miscellaneous revenues greater than the reduction of other property and other local taxes, income taxes, and investment earnings and (2) overall receipts were less than overall expenditures. The net change in fund balance in the Building Construction fund reflects a decrease of \$504,754 (20%). Overall capital outlay disbursements on the new Pre-K – 8 school building exceeded interest revenue. The net change in fund balance in the Classroom Facilities fund reflects an increase of \$2,875,519 (914%). Overall Ohio School Facilities Commission (OSFC) grant receipts exceeded capital outlay disbursements on the new Pre-K – 8 school building.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
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 2010, the District amended its General fund budget as needed.

Actual receipts and other financing sources exceeded final budget receipts and other financing sources by \$332,642 (6.5%). There was no variance between original and final estimated resources.

Final disbursements and other financing uses were budgeted at \$6,688,771 while actual disbursements and other financing uses were \$5,665,895. The \$1,022,876 (15.3%) difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt Administration

At June 30, 2010, the District had \$8,331,127 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 bonds and notes are being retired through the Bond Retirement fund.

At June 30, 2010, the District's overall legal debt margin was (\$1,987,126), with an un-voted debt margin of \$70,267. Ohio Revised Code § 133.06 (1) allows a school district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program.

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 first year of the state biennium budget. 41 percent of District revenue sources are from local funds, 51 percent is from state funds and the remaining 8 percent is from federal funds. The total expenditure per pupil was calculated at \$8,935.

The District entered into a contract with the Ohio School Facilities Commission (OSFC) to construct a new Pre-K – 8 school building. Construction began in 2010 and is scheduled to be completed in April 2011. Students and staff are scheduled to move in the summer/fall of 2011.

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 request for additional information should be directed to Margie Rinkel, Treasurer, Edgerton Local School District, 111 East River Street, Edgerton, Ohio 43517-9623.

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>7,702,918</u></u>
Net Assets:	
Restricted for Debt Service	427,333
Restricted for Capital Outlay	5,647,923
Restricted for Other Purposes	118,423
Unrestricted	<u>1,509,239</u>
<i>Total Net Assets</i>	\$ <u><u>7,702,918</u></u>

See Accompanying Notes to the Basic Financial Statements

Material Line Items

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30,2010**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 2,392,323	\$ 267,673	\$ 277,509	\$	(1,847,141)
Special	700,519		254,162		(446,357)
Vocational	50,269		5,738		(44,531)
Student Intervention Services	1,406				(1,406)
Other	356,062				(356,062)
Support Services:					
Pupils	222,861		2,061		(220,800)
Instructional Staff	388,607		4,290		(384,317)
Board of Education	38,872				(38,872)
Administration	455,254				(455,254)
Fiscal	271,273		5,000		(266,273)
Business	650				(650)
Operation and Maintenance of Plant	647,316				(647,316)
Pupil Transportation	240,663		7,798		(232,865)
Central	38,886		6,859		(32,027)
Operation of Non-Instructional Services	302,663	139,360	147,826		(15,477)
Extracurricular Activities	256,347	87,536			(168,811)
Capital Outlay	2,354,346			4,574,546	2,220,200
Debt Service:					
Principal	270,000				(270,000)
Interest and Fiscal Charges	355,383				(355,383)
Refund of Prior Year Receipts	7,697				(7,697)
Totals	\$ 9,351,397	\$ 494,569	\$ 711,243	\$ 4,574,546	(3,571,039)
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					1,287,412
Property Taxes, Levied for Capital Outlay					92,970
Property Taxes, Levied for Debt Service					537,732
Property Taxes, Levied for Other Purposes					35,197
Income Taxes					573,704
Grants and Entitlements not Restricted to Specific Programs					3,240,639
Investment Earnings					55,940
Miscellaneous					165,693
Refund of Prior Year Expenditures					27,927
Total General Revenues					6,017,214
Change in Net Assets					2,446,175
Net Assets Beginning of Year					5,256,743
Net Assets End of Year					\$ 7,702,918

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Cash Basis Assets and Fund Cash Balances
Governmental Funds
June 30, 2010**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,509,239	\$ 1,973,996	\$ 3,190,200	\$ 1,029,483	\$ 7,702,918
Fund Balances:					
Reserved For:					
Reserved for Encumbrances	\$ 153,718	\$ 1,846,923	\$ 887,886	\$ 7,268	\$ 2,895,795
Unreserved, Undesignated, Reported in:					
General Fund	1,355,521				1,355,521
Special Revenue Funds				111,155	111,155
Debt Service Funds				427,333	427,333
Capital Projects Funds		127,073	2,302,314	483,727	2,913,114
<i>Total Fund Balances</i>	\$ 1,509,239	\$ 1,973,996	\$ 3,190,200	\$ 1,029,483	\$ 7,702,918

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30,2010**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and Other Local Taxes	\$ 1,287,412			\$ 665,899	\$ 1,953,311
Income Tax	573,704				573,704
Intergovernmental	3,052,424		\$ 4,574,546	899,458	8,526,428
Investment Earnings	18,878	\$ 32,201	4,816	45	55,940
Tuition and Fees	261,280			6,393	267,673
Extracurricular Activities				87,536	87,536
Customer Sales and Services				139,360	139,360
Miscellaneous	160,158			5,535	165,693
<i>Total Receipts</i>	<u>5,353,856</u>	<u>32,201</u>	<u>4,579,362</u>	<u>1,804,226</u>	<u>11,769,645</u>
Disbursements:					
Current:					
Instruction:					
Regular	2,228,293			164,030	2,392,323
Special	410,994			289,525	700,519
Vocational	50,269				50,269
Student Intervention Services	1,406				1,406
Other	349,336			6,726	356,062
Support Services:					
Pupils	98,024			124,837	222,861
Instructional Staff	376,644			11,963	388,607
Board of Education	38,872				38,872
Administration	454,747			507	455,254
Fiscal	248,460			22,813	271,273
Business	650				650
Operation and Maintenance of Plant	511,456			135,860	647,316
Pupil Transportation	230,032			10,631	240,663
Central	32,027			6,859	38,886
Operation of Non-Instructional Services	46			302,617	302,663
Extracurricular Activities	168,664			87,683	256,347
Capital Outlay	109,348	536,955	1,708,043		2,354,346
Debt Service:					
Principal				270,000	270,000
Interest				355,383	355,383
<i>Total Disbursements</i>	<u>5,309,268</u>	<u>536,955</u>	<u>1,708,043</u>	<u>1,789,434</u>	<u>9,343,700</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>44,588</u>	<u>(504,754)</u>	<u>2,871,319</u>	<u>14,792</u>	<u>2,425,945</u>
Other Financing Sources and (Uses):					
Transfers In				1,500	1,500
Advances In	62,291			201,409	263,700
Refund of Prior Year Expenditures	2,110		4,200	21,617	27,927
Transfers Out	(1,500)				(1,500)
Advances Out	(201,409)			(62,291)	(263,700)
Refund of Prior Year Receipts				(7,697)	(7,697)
<i>Total Other Financing Sources and (Uses)</i>	<u>(138,508)</u>		<u>4,200</u>	<u>154,538</u>	<u>20,230</u>
<i>Net Change in Fund Balances</i>	<u>(93,920)</u>	<u>(504,754)</u>	<u>2,875,519</u>	<u>169,330</u>	<u>2,446,175</u>
Fund Balance at Beginning of Year	1,603,159	2,478,750	314,681	860,153	5,256,743
<i>Fund Balance at End of Year</i>	<u>\$ 1,509,239</u>	<u>\$ 1,973,996</u>	<u>\$ 3,190,200</u>	<u>\$ 1,029,483</u>	<u>\$ 7,702,918</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Cash Receipts, Disbursements,
and Changes in Fund Balances - (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30,2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,227,249	\$ 1,227,249	\$ 1,287,412	\$ 60,163
Income Tax	675,000	675,000	573,704	(101,296)
Intergovernmental	2,807,902	2,807,902	3,052,424	244,522
Investment Earnings	42,695	42,695	18,878	(23,817)
Tuition and Fees	205,622	205,622	261,280	55,658
Miscellaneous	62,094	62,094	160,158	98,064
<i>Total Receipts</i>	<u>5,020,562</u>	<u>5,020,562</u>	<u>5,353,856</u>	<u>333,294</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,251,405	2,262,563	2,245,881	16,682
Special	393,205	345,205	410,994	(65,789)
Vocational	51,291	52,591	50,429	2,162
Student Intervention Services	16,280	16,280	1,406	14,874
Other	383,848	383,848	349,336	34,512
Support Services:				
Pupils	117,105	117,105	109,821	7,284
Instructional Staff	320,823	523,636	378,060	145,576
Board of Education	44,500	46,100	42,152	3,948
Administration	442,632	447,847	456,314	(8,467)
Fiscal	245,716	250,716	248,996	1,720
Business		650	650	
Operation and Maintenance of Plant	671,386	706,887	561,017	145,870
Pupil Transportation	237,347	275,764	270,209	5,555
Central	26,351	41,351	32,027	9,324
Operation of Non-Instructional Services		194	194	
Extracurricular Activities	154,336	159,336	168,940	(9,604)
Capital Outlay	5,151	138,694	136,560	2,134
<i>Total Disbursements</i>	<u>5,361,376</u>	<u>5,768,767</u>	<u>5,462,986</u>	<u>305,781</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(340,814)</u>	<u>(748,205)</u>	<u>(109,130)</u>	<u>639,075</u>
Other Financing Sources and (Uses):				
Transfers In	64,053	64,053	62,291	(1,762)
Refund of Prior Year Expenditures	1,000	1,000	2,110	1,110
Transfers Out	(1,204,394)	(919,204)	(1,500)	917,704
Advances Out			(201,409)	(201,409)
Refund of Prior Year Receipts	(800)	(800)		800
<i>Total Other Financing Sources and (Uses)</i>	<u>(1,140,141)</u>	<u>(854,951)</u>	<u>(138,508)</u>	<u>716,443</u>
<i>Net Change in Fund Balances</i>	<u>(1,480,955)</u>	<u>(1,603,156)</u>	<u>(247,638)</u>	<u>1,355,518</u>
Fund Balance at Beginning of Year	1,480,958	1,480,958	1,480,958	
Prior Year Encumbrances Appropriated	122,201	122,201	122,201	
<i>Fund Balance at End of Year</i>	<u>\$ 122,204</u>	<u>\$ 3</u>	<u>\$ 1,355,521</u>	<u>\$ 1,355,518</u>

See Accompanying Notes to the Basic Financial Statements

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Statement of Cash Basis Assets and Net Cash Assets
Fiduciary Funds
June 30, 2010

	<u>Agency Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>34,510</u></u>
Liabilities	
Undistributed Monies	\$ <u><u>34,510</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, 2010**

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. The 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 two instructional/support facilities staffed by 28 non-certified and 49 certified full-time teaching personnel who provide services to 636 students and other community members.

A. Primary Government

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.

B. Component Units

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 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 and also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District does not have any component units.

C. Jointly Governed Organizations and Purchasing Pools

The District is associated with seven 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, Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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 financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

2. Fund Financial Statements

During the fiscal 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 report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

B. Fund Accounting

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

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General fund, the Building Construction fund, and the Classroom Facilities 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.

Building Construction Fund - The Building Construction fund is used to account for the local portion of receipts and disbursements designated to be used for the construction of the new Pre-K – 8 school building.

Classroom Facilities Fund - The Classroom Facilities fund is used to account for the state portion of receipts and disbursements designated to be used for the construction of the new Pre-K – 8 school building.

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.

2. 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. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash-basis of accounting. This basis is a comprehensive of accounting other than generally accepted accounting principles.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

The appropriation resolution is subject to amendment throughout the 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.

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$18,878, which includes \$11,164 assigned from other District funds.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-term Obligations

These cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

L. Net 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. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. There were no amounts restricted by enabling legislation.

M. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The General fund encumbrances outstanding at year end (budgetary basis) amounted to \$153,718.

4. 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.

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 two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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."

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, \$3,318,902 of the District's bank balance of \$8,213,533 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, 2010, the District's only investment was \$1,000 in STAR Ohio.

Credit Risk – STAR Ohio carries a rating of AAA 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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2010 were as follows:

	Balance at 06/30/09	Increase	Decrease	Balance at 06/30/10	Amounts Due In One Year
General Obligation Bonds	\$8,065,000			\$8,065,000	
General Obligation Capital Appreciation Bonds	466,804	\$49,323	\$270,000	246,127	\$246,127
Total Long-Term Obligations	\$8,531,804	\$49,323	\$270,000	\$8,311,127	\$246,127

Debt outstanding at June 30, 2010 consisted of School Improvement Bonds totaling \$8,311,127 (the interest rates for the school improvement bonds were 2 percent to 4.6 percent). 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 retire with a voted property tax levy from the Bond Retirement fund.

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

Maturity Date (December 1)	Principal Amount	Interest Rate
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%

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:

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. LONG TERM OBLIGATIONS - (Continued)

<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 \$595,000 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.

The capital appreciation bonds were issued in the aggregate original principal amount of \$277,635 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>
2010	\$79,015	\$270,000

The value of the capital appreciation bonds reported at June 30, 2010, was \$246,127. The annual accretion of interest is based on the straight-line method. A total accreted interest of \$167,112 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, 2010 was \$355,383.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. LONG TERM OBLIGATIONS - (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2009 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$246,127	\$379,255	\$625,382
2012	270,000	351,883	621,883
2013	280,000	342,837	622,837
2014	290,000	333,178	623,178
2015	300,000	322,737	622,737
2016 - 2020	1,670,000	1,430,088	3,100,088
2021 - 2025	2,060,000	1,038,517	3,098,517
2026 – 2030	2,600,000	506,188	3,106,188
2031	595,000	24,762	619,762
Total	<u>\$8,311,127</u>	<u>\$4,729,445</u>	<u>13,040,572</u>

6. PROPERTY TAXES

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

Property taxes include amounts levied against all property, public utility property, and tangible personal (used in business) property located in the area served by the District. Real property tax revenues received in calendar year 2010 represent the collection calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2010 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2010, on the value as of December 31, 2009. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30. This year, the June 2010 tangible personal property tax settlement was not received until July 2010.

The District receives property taxes from Williams and Defiance counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2010 taxes are based are as follows:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$53,790,330	77%	\$57,698,500	82%
Industrial/Commercial	9,717,670	14%	9,678,280	14%
Public Utility	3,335,990	5%	3,050,000	4%
Tangible Personal	2,642,140	4%	277,950	0%
Total Assessed Value	<u>\$69,486,130</u>	<u>100%</u>	<u>\$70,704,730</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$51.60		\$52.00	

7. INCOME TAX

In 1991, the voters of the 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, 2010, the District recorded income tax revenue of \$573,704 in the General fund.

8. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and liability. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. RISK MANAGEMENT - (Continued)

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 14). 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.

9. DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Employer/Audit Resources.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. DEFINED BENEFIT PENSION PLAN - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District 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 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$156,634, \$72,473 and \$82,529 respectively; 71 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East. Broad Street., Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were 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 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. DEFINED BENEFIT PENSION PLAN - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$299,879, \$289,283, and \$314,710 respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

10. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 4.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount. For 2010, the minimum compensation level was established at \$35,800. The District's SERS surcharge amount for 2010 was \$12,075

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$17,713, \$44,393, and \$49,598 respectively; 68 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$9,315, \$5,980 and \$5,547, respectively; 71 percent has been contributed for fiscal year 2010 and 100 percent for fiscal year 2009 and 2008.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. POST-EMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,068, \$22,253, and \$24,208, respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

11. 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 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 220 days for retirement purposes.

12. STATUTORY 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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. STATUTORY RESERVES - (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Current Year Set-aside Requirement	\$93,020	\$93,020	186,040
Qualifying Disbursements	(108,252)		(108,252)
Excess Qualified Disbursements from Prior Years	(548,897)		(548,897)
Current Year Offsets		(93,020)	(93,020)
Total	<u>\$(564,129)</u>	<u> </u>	<u>\$(564,129)</u>
Cash Balance Carried Forward to FY 2011	<u>\$(564,129)</u>	<u> </u>	<u>\$(564,129)</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts to below zero. Current year offsets do not carry forward. The negative amounts may be used to offset future year textbook set-aside requirements; however, they may not be used to reduce capital set-aside requirements.

13. 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. Total disbursements made by the District to NBEC during the fiscal year were \$0. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

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. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, 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 the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. The District made no payments to the Four County Career Center. To obtain financial information write to the Four County Career Center, Jennifer Bonner, 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, 2010
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS - (Continued)

D. 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 David Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

E. 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, 2nd Floor, Toledo, Ohio 43602.

14. GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program includes health, dental, life and vision insurance plans. The health and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the Treasurer to comply with the terms of any contract with any third-party claims administrator or insurance company. The insurance group is governed by a council of two representatives from each of the four counties, in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2010, the District contributed a total of \$551,788 for all four plans. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. GROUP PURCHASING POOLS - (Continued)

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 a group purchasing pool.

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee of \$614 to the WCGRP to cover the costs of administering the program.

15. INTERFUND TRANSFERS

During the year ended June 30, 2010, the General fund transferred \$1,500 to the Public School Support fund for principals to use on school related expenses.

16. INTERFUND ADVANCES

During the year ended June 30, 2010, the General fund advanced \$201,409 to the Title I Grant and IDEA Part B Grant funds to help with operations until grant monies were received. These advances were not repaid as of June 30, 2010. In addition, the Title I Grant fund also owes the General fund \$1,762 from advances made in 2009.

17. 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 are 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, 2010.

B. Litigation

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Federal Awards Receipts and Expenditures Schedule
For the Year Ended June 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<u>Child Nutrition Cluster:</u>				
School Breakfast Program - Cash Assistance		10.553	\$10,738	\$10,738
National School Lunch Program		10.555		
Cash Assistance			78,032	78,032
Non- Cash Assistance (Food Distribution)			<u>30,700</u>	<u>28,565</u>
Total National School Lunch Program			<u>108,732</u>	<u>106,597</u>
Total U.S. Department of Agriculture			<u>119,470</u>	<u>117,335</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
<u>Special Education Cluster:</u>				
Special Education Grants to States	050617-6BSF-2010	84.027	137,148	137,148
Special Education Grants to States - ARRA	050617-STIMDJ-2010	84.391		<u>157,764</u>
Total Special Education Cluster			<u>137,148</u>	<u>294,912</u>
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act - ARRA		84.394	154,158	154,158
Title II-D Technology Grant	050617-TJS1-2010	84.318	763	763
<u>Title I Cluster:</u>				
Title I Grants to Local Educational Agencies	050617-C1S1-2009	84.010	28,295	
	050617-C1S1-2010	84.010	<u>88,719</u>	<u>88,719</u>
			117,014	88,719
Title I Grants to Local Educational Agencies - ARRA	050617-STIMDK-2010	84.389		<u>43,645</u>
Total Title I Cluster			<u>117,014</u>	<u>132,364</u>
Safe and Drug-Free Schools and Communities State Grants	050617-DRS1-2010	84.186	2,061	2,061
Improving Teacher Quality State Grants	050617-TRS1-2010	84.367	21,795	21,795
Direct Assistance				
Rural Education	050617-6BSF-2007	84.358	33,367	33,367
	050617-6BSF-2008	84.358	33,069	12,172
	050617-6BSF-2009	84.358	<u>34,357</u>	<u>21,258</u>
Total Rural Education			<u>100,793</u>	<u>66,797</u>
Total U.S. Department of Education			<u>533,732</u>	<u>672,850</u>
Totals			<u>\$653,202</u>	<u>\$790,185</u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Edgerton Local School District's (the District's) federal award programs receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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Dave Yost • Auditor of State

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

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2010, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 10, 2011.

The District's response to finding 2010-001 identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

February 10, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Edgerton Local School District, Williams County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Edgerton Local School District, Williams County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as finding 2010-003.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-003 to be a material weakness.

We also noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 10, 2011.

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



Dave Yost
Auditor of State

February 10, 2011

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – CFDA #84.027 and 84.391 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code § 117-2-03 (B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

For 2010, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2010-002

Material Weakness – Failure To Record On-Behalf Grant Activity

Auditor of State Bulletin 2001-007 requires that when an entity enters into a project with the Ohio School Facilities Commission (OSFC), the cash value benefit of the program should be recorded as memorandum receipts and disbursements in the year the "on-behalf-of" payments are made to the construction manager by OSFC. Government Accounting Standard Board (GASB) Statement #24 provides accounting and financial reporting for certain grants and other financial assistance including pass-through grants. Pass – through grants are grants that are received by a primary recipient and transferred to or "spent on behalf of" a secondary recipient.

In FY 2010, OSFC payments in the amount of \$319,937 were expended directly to the construction manager on behalf of the District. These monies were not recorded in the District's financial statements. The accompanying financial statements have been adjusted to reflect the "on-behalf-of" activity.

We recommend the District follow the guidelines of Auditor of State Bulletin 2001-007, which describes the proper accounting treatment for OSFC projects and post all OSFC grant monies to the District's financial ledgers.

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2010-003

Noncompliance Citation / Material Weakness

SPECIAL EDUCATION CLUSTER – SPECIAL EDUCATION GRANTS TO STATES – ARRA - REPORTING

CFDA Number and Title 84.391 – Special Education Grants to States – ARRA
Federal Agency Department of Education

American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (b) and (c) require any entity that receives certain Recovery funds directly from the Federal government (including recovery funds received through grant, loan or contract other than an individual) to submit a report to the Federal Agency not later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. **Section 1512 (c) (4)** requires detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals. Further, **Office of Management and Budget Memo M-09-21 dated June 22, 2009** states that prime recipients may choose to delegate certain reporting requirements to sub-recipients. This memo also states three additional data elements associated with any vendors receiving funds from the prime recipient for any payments greater than \$25,000 must be reported.

The **Ohio Department of Education’s American Recovery and Reinvestment Act Reporting Guidance** states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, the vendor name and zip code are required for each vendor that received a single payment, from a single ARRA grant, in excess of \$25,000. If the vendor received multiple payments less than \$25,000, even when the total of the payments exceeds \$25,000, the vendor information should *not* be reported.

During 2010, the District purchased an ADA equipped school bus for \$74,167 with IDEA Part B ARRA monies. This purchase was not reported to ODE on the 1512 ARRA Subrecipient Vendor report. The District should report all vendors receiving single payments of \$25,000 on the ODE 1512 ARRA Subrecipient Vendor report. Noncompliance with 1512 reporting requirements could result in temporary suspension or permanent loss of Federal Recovery funding.

We recommend the Treasurer report all vendors receiving single payments over \$25,000 to ODE on the 1512 ARRA Subrecipient Vendor report.

Officials’ Response:

We did not receive a response from Officials to this finding.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-003	The Treasurer will ensure proper 1512 reporting of vendors receiving single ARRA payments in excess of \$25,000.	FY 2011	Margie Rinkel, Treasurer

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (B) – requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2010-001 in this report.
2009-002	Material Weakness – Grants and Miscellaneous Revenues – Ohio School Classroom Facilities Commission (OSFC) monies not properly posted to Statement of Activities	Yes	

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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 1, 2011**