



Dave Yost • Auditor of State

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2012, 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, 2012, 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 6, 2013, 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.

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We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

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

Dave Yost
Auditor of State

February 6, 2013

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of the Edgerton School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

In total, net assets decreased \$1,698,664.

General revenues accounted for \$14,698,562, or 95 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$736,249, or 5 percent of total revenues of \$15,434,811.

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

The General fund had \$5,286,366 in receipts and other financing sources and \$6,219,273 in disbursements and other financing uses. The General fund's balance decreased \$932,907 from the prior fiscal year.

The Bond Retirement fund had \$8,740,348 in receipts and other financing sources and \$8,503,619 in disbursements. The Bond Retirement fund's balance increased \$236,729 from the prior fiscal year.

The Building Construction fund had \$603,219 in receipts and other financing sources and \$148,487 in disbursements and other financing uses. The Building Construction fund's balance increased \$454,732 from the prior fiscal year.

The Classroom Facilities fund had \$42,811 in receipts and other financing sources and \$1,248,386 in disbursements. The Classroom Facilities fund's balance decreased \$1,205,575 from the prior fiscal year.

The District issued \$7,510,549 in general obligation bonds for refund bonds previously issued in 2002. It is anticipated this will save \$1,470,213 in total debt service payments over the eighteen year life of the debt issue.

The revenue generated from the Bond Retirement 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 Bond Retirement fund, the Building Construction fund and the Classroom Facilities fund are the District's four major funds.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
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 2012. 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 Bond Retirement 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.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2012 compared to fiscal year 2011.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

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

	2012	2011
<u>Assets:</u>		
Current and Other Assets	<u>\$3,172,493</u>	<u>\$4,871,157</u>
<u>Net Assets:</u>		
Restricted for Debt Service	724,041	487,312
Restricted for Capital Outlay	1,501,667	2,635,569
Restricted for Other Purposes	281,553	150,137
Unrestricted	665,232	1,598,139
Total	<u>\$3,172,493</u>	<u>\$4,871,157</u>

As mentioned previously, net assets of governmental activities decreased \$1,698,664 or 35% during 2012. The primary reasons attributing to the decrease in net assets was the decrease in OSFC construction cost for the new Pre-K – 8 school building which mainly occurred in 2011.

Table 2 reflects the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

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

	2012	2011
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$456,805	\$545,757
Operating Grants and Contributions	262,686	1,314,894
Capital Grants and Contributions	16,758	3,012,439
Total Program Revenues	<u>736,249</u>	<u>4,873,090</u>
General Revenues:		
Property Taxes	2,070,582	1,987,065
Income Taxes	720,674	652,698
Grants and Entitlements	3,081,120	2,748,250
Investment Earnings	16,991	59,034
Miscellaneous	74,630	83,183
Bonds Issued	8,105,549	
Premium on Bonds Issued	515,187	
Proceeds from Sale of Capital Assets	90,000	
Refund of Prior Year Expenditures	23,829	
Total General Revenues	<u>14,698,562</u>	<u>5,530,230</u>
Total Revenues	<u>15,434,811</u>	<u>10,403,320</u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

<u>Expenses:</u>		
Instruction	3,539,449	3,511,139
Support Services:		
Pupils	250,378	241,362
Instructional Staff	372,782	335,530
Board of Education	43,435	37,871
Administration	506,904	461,760
Fiscal	277,015	275,967
Business	4,973	1,000
Operation and Maintenance of Plant	676,189	611,899
Pupil Transportation	257,607	230,454
Central	86,115	58,076
Non-Instructional	304,660	300,692
Extracurricular Activities	288,363	249,052
Capital Outlay	2,021,311	6,284,748
Principal	270,000	270,000
Interest and Debt Fiscal Charges	220,217	355,383
Payment to Refunded Bond Escrow Agent	7,844,493	
Bond Issuance Costs	169,102	
Refund of Prior Year Receipts	482	10,148
Total Expenses	<u>17,133,475</u>	<u>13,235,018</u>
Decrease in Net Assets	<u>(\$1,698,664)</u>	<u>(\$2,831,761)</u>

Program receipts account for 5 percent of total receipts and are represented by restricted intergovernmental receipts, tuition, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 21 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 5 percent of governmental disbursements. Maintenance of the District's facilities, capital outlay, and debt service related payments also represents a significant disbursement of 4, 12, and 50 percent.. The remaining 8 percent of the District's disbursements 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.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities, cash basis, reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
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>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Instruction	\$3,539,449	\$3,250,791	\$3,511,139	\$2,212,592
Support Services:				
Pupils	250,378	250,378	241,362	241,362
Instructional Staff	372,782	368,591	335,530	328,174
Board of Education	43,435	43,435	37,871	37,871
Administration	506,904	506,904	461,760	461,760
Fiscal	277,015	277,015	275,967	273,967
Business	4,973	4,973	1,000	1,000
Operation and Maintenance of Plant	676,189	676,189	611,899	474,017
Pupil Transportation	257,607	257,607	230,454	230,454
Central	86,115	80,715	58,076	51,251
Non-Instructional	304,660	(13,882)	300,692	(12,283)
Extracurricular Activities	288,363	185,663	249,052	153,986
Capital Outlay	2,021,311	2,004,553	6,284,748	3,272,309
Debt Service - Principal	270,000	270,000	270,000	270,000
Debt Services - Interest and Fiscal Charges	220,217	220,217	355,383	355,383
Payment to Refunded Bond Escrow Agent	7,844,493	7,844,493		
Bond Issuance Costs	169,102	169,102		
Refund of Prior Year Receipts	482	482	10,148	10,148
Total Expenses	<u>\$17,133,475</u>	<u>\$16,397,226</u>	<u>\$13,235,081</u>	<u>\$8,361,991</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 92 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 96 percent. The remaining 4 percent are derived from charges for services, operating grants and contributions, and capital grants and contributors.

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 Bond Retirement fund, the Building Construction fund and the Classroom Facilities fund. Total governmental funds had receipts and other financing sources of \$15,650,179 and disbursements and other financing uses of \$17,348,843. The net negative change of \$1,698,664 in fund balance for the year indicates the District had some difficulty in meeting current costs in the General fund and the All Other Governmental fund type. The net negative change in the Classroom Facilities fund was attributed to construction costs for the new Pre K-8 school building exceeding the amount of receipts received in 2012. A majority of the Ohio School Facilities Commission (OSFC) grant monies were received in prior fiscal years.

The net change in the balance in the General fund reflects a decrease of \$932,907 (58%). This was primarily due to an overall increase in disbursements (16 percent) from fiscal year 2011 exceeding the overall decrease in revenues (3 percent) from fiscal year 2011. Some General fund expenditures were advanced to various federal grant funds to cover current year expenditures until federal reimbursements are received. The net change in fund balance in the Bond Retirement fund reflects an increase of \$236,729 (49 percent). Taxes, intergovernmental revenues, and net

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

proceeds from refinancing debt exceeded the debt service payments and fiscal costs related to tax collections. The net change in fund balance in the Building Construction fund reflects an increase of \$454,732 (750 percent) due to the District obtaining \$595,000 of Energy Conservation Bonds for its House Bill 264 Project. The net change in fund balance in the Classroom Facilities fund reflects a decrease of \$1,205,575 (63%) due to capital outlay disbursements on the new Pre K – 8 school building exceeding overall revenues since a majority of the Ohio School Facilities Commission (OSFC) grant monies were received in prior audits.

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 2012, the District amended its General fund budget as needed.

Actual revenues and other financing sources exceeded final budget revenues and other financing sources by \$7,103 (less than 1 percent). There was only a \$150,000 variance (3 percent) between original and final estimated resources.

Original and final budgeted expenditures and other financing uses varied by only 2 percent. Final expenditures and other financing uses were budgeted at \$6,848,297 while actual expenditures and other financing uses were \$6,313,790. The \$534,507 (8 percent) 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, 2012, the District had \$8,105,549 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-eight year period, with final maturity on November 1, 2030. The bonds and notes are being retired through the Bond Retirement fund.

At June 30, 2012, the District's overall legal debt margin was (\$842,265), with an un-voted debt margin of \$74,092.

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. 78 percent of District revenue sources are from local funds, 20 percent is from state funds and the remaining 2 percent is from federal funds. The total expenditure per pupil was calculated at \$9,350.

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 was primarily completed in April 2011. Students and staff moved into the building 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, CFO/Treasurer, Edgerton Local School District, 111 E. River Street, Edgerton, OH 43517-9623.

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,172,493</u>
Net Assets:	
Restricted for Debt Service	724,041
Restricted for Capital Outlay	1,501,667
Restricted for Other Purposes	281,553
Unrestricted	665,232
<i>Total Net Assets</i>	\$ <u>3,172,493</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30,2012**

	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	\$ 2,640,940	\$ 221,776	\$ 37,442	\$ (2,381,722)
Special	505,437		17,504	(487,933)
Vocational	62,804		11,936	(50,868)
Other	330,268			(330,268)
Support Services:				
Pupils	250,378			(250,378)
Instructional Staff	372,782		4,191	(368,591)
Board of Education	43,435			(43,435)
Administration	506,904			(506,904)
Fiscal	277,015			(277,015)
Business	4,973			(4,973)
Operation and Maintenance of Plant	676,189			(676,189)
Pupil Transportation	257,607			(257,607)
Central	86,115		5,400	(80,715)
Operation of Non-Instructional Services	304,660	132,329	186,213	13,882
Extracurricular Activities	288,363	102,700		(185,663)
Capital Outlay	2,021,311			(2,004,553)
Debt Service:			\$ 16,758	
Principal	270,000			(270,000)
Interest and Fiscal Charges	220,217			(220,217)
Payment to Refunded Bond Escrow Agent	7,844,493			(7,844,493)
Bond Issuance Costs	169,102			(169,102)
Refund of Prior Year Receipts	482			(482)
Totals	\$ 17,133,475	\$ 456,805	\$ 262,686	\$ 16,758
				(16,397,226)
General Revenues:				
Property Taxes:				
Levied for General Purposes				1,345,438
Levied for Capital Outlay				125,233
Levied for Debt Service				564,714
Levied for Other Purposes				35,197
Income Taxes				720,674
Grants and Entitlements not Restricted to Specific Programs				3,081,120
Investment Earnings				16,991
Miscellaneous				74,630
Bonds Issued				8,105,549
Premium on Bonds Issued				515,187
Proceeds from Sale of Capital Assets				90,000
Refund of Prior Year Expenditures				23,829
Total General Revenues				14,698,562
Change in Net Assets				(1,698,664)
Net Assets Beginning of Year				4,871,157
Net Assets End of Year				\$ 3,172,493

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, 2012**

	General Fund	Bond Retirement Fund	Building Construction Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ <u>665,232</u>	\$ <u>724,041</u>	\$ <u>515,374</u>	\$ <u>720,026</u>	\$ <u>547,820</u>	\$ <u>3,172,493</u>
Fund Balances:						
Restricted		\$ 724,041	\$ 515,374	\$ 720,026	\$ 281,553	\$ 2,240,994
Committed					266,267	266,267
Assigned	<u>665,232</u>					<u>665,232</u>
Total Fund Balances	\$ <u>665,232</u>	\$ <u>724,041</u>	\$ <u>515,374</u>	\$ <u>720,026</u>	\$ <u>547,820</u>	\$ <u>3,172,493</u>

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 30,2012**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Construction Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:						
Property and Other Local Taxes	\$ 1,345,438	\$ 564,714			\$ 160,430	\$ 2,070,582
Income Tax	720,674					720,674
Intergovernmental	2,891,225	157,864		\$ 16,758	294,717	3,360,564
Interest	7,130		\$ 21	9,815	25	16,991
Tuition and Fees	221,776					221,776
Extracurricular Activities					102,700	102,700
Customer Sales and Services					132,329	132,329
Miscellaneous	71,534				3,096	74,630
<i>Total Receipts</i>	<u>5,257,777</u>	<u>722,578</u>	<u>21</u>	<u>26,573</u>	<u>693,297</u>	<u>6,700,246</u>
Disbursements:						
Current:						
Instruction:						
Regular	2,578,734				62,206	2,640,940
Special	471,045				34,392	505,437
Vocational	62,804					62,804
Other	330,268					330,268
Support Services:						
Pupils	250,378					250,378
Instructional Staff	368,491				4,291	372,782
Board of Education	43,435					43,435
Administration	506,904					506,904
Fiscal	260,017	13,237			3,761	277,015
Business	4,973					4,973
Operation and Maintenance of Plant	639,266				36,923	676,189
Pupil Transportation	247,369				10,238	257,607
Central	74,043				12,072	86,115
Operation of Non-Instructional Services						
Extracurricular Activities	187,223				304,660	304,660
Capital Outlay			135,057	1,248,386	637,868	2,021,311
Debt Service:						
Principal		270,000				270,000
Interest and Fiscal Charges		206,787	13,430			220,217
<i>Total Disbursements:</i>	<u>6,024,950</u>	<u>490,024</u>	<u>148,487</u>	<u>1,248,386</u>	<u>1,207,551</u>	<u>9,119,398</u>
Excess of Receipts Over (Under) Disbursements	<u>(767,173)</u>	<u>232,554</u>	<u>(148,466)</u>	<u>(1,221,813)</u>	<u>(514,254)</u>	<u>(2,419,152)</u>
Other Financing Sources and (Uses):						
Transfers In	3,726					3,726
Advances In	17,504				194,138	211,642
Bonds Issued		7,510,549	595,000			8,105,549
Premium on Bonds Issued		507,221	7,966			515,187
Refund of Prior Year Expenditures	7,359		232	16,238		23,829
Proceeds from Sale of Capital Assets					90,000	90,000
Payment to Refunded Bond Escrow Agent		(7,844,493)				(7,844,493)
Bond Issuance Costs		(169,102)				(169,102)
Transfers Out					(3,726)	(3,726)
Advances Out	(194,138)				(17,504)	(211,642)
Refund of Prior Year Receipts	(185)				(297)	(482)
<i>Total Other Financing Sources and (Uses)</i>	<u>(165,734)</u>	<u>4,175</u>	<u>603,198</u>	<u>16,238</u>	<u>262,611</u>	<u>720,488</u>
<i>Net Change in Fund Balances</i>	<u>(932,907)</u>	<u>236,729</u>	<u>454,732</u>	<u>(1,205,575)</u>	<u>(251,643)</u>	<u>(1,698,664)</u>
Fund Balance at Beginning of Year	1,598,139	487,312	60,642	1,925,601	799,463	4,871,157
<i>Fund Balance at End of Year</i>	<u>\$ 665,232</u>	<u>\$ 724,041</u>	<u>\$ 515,374</u>	<u>\$ 720,026</u>	<u>\$ 547,820</u>	<u>\$ 3,172,493</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Cash Receipts, Disbursements,
and Changes in Fund Balances - (Budgetary Basis)
GENERAL FUND
For the Fiscal Year Ended June 30,2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,288,833	\$ 1,288,833	\$ 1,345,438	\$ 56,605
Income Tax	652,698	652,698	720,674	67,976
Intergovernmental	2,855,962	2,855,962	2,891,225	35,263
Interest	15,688	15,688	7,130	(8,558)
Tuition and Fees	315,830	165,830	214,085	48,255
Miscellaneous	73,141	73,141	58,007	(15,134)
<i>Total Receipts</i>	<u>5,202,152</u>	<u>5,052,152</u>	<u>5,236,559</u>	<u>184,407</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,270,882	2,636,688	2,586,385	50,303
Special	510,346	579,679	471,045	108,634
Vocational	62,107	81,207	62,804	18,403
Other	361,309	386,309	330,268	56,041
Support Services:				
Pupils	122,223	259,290	250,378	8,912
Instructional Staff	537,383	473,266	369,814	103,452
Board of Education	38,434	57,964	45,893	12,071
Administration	466,875	520,975	515,168	5,807
Fiscal	258,118	269,418	260,577	8,841
Business	6,000	6,000	4,973	1,027
Operation and Maintenance of Plant	697,657	787,636	673,235	114,401
Pupil Transportation	309,831	292,333	258,258	34,075
Central	51,251	76,213	76,213	
Operation of Non-Instructional Services	45	145	46	99
Extracurricular Activities	171,166	199,186	187,223	11,963
Capital Outlay	36,908	6,352	5,937	415
<i>Total Disbursements</i>	<u>5,900,535</u>	<u>6,632,661</u>	<u>6,098,217</u>	<u>534,444</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(698,383)</u>	<u>(1,580,509)</u>	<u>(861,658)</u>	<u>718,851</u>
Other Financing Sources and (Uses):				
Transfers In			3,726	3,726
Advances In	205,893	205,893	17,504	(188,389)
Refund of Prior Year Expenditures			7,359	7,359
Transfers Out	(1,070,110)	(21,305)	(21,250)	55
Advances Out	(17,504)	(194,146)	(194,138)	8
Refund of Prior Year Receipts	(10,148)	(185)	(185)	
<i>Total Other Financing Sources and (Uses)</i>	<u>(891,869)</u>	<u>(9,743)</u>	<u>(186,984)</u>	<u>(177,241)</u>
<i>Net Change in Fund Balances</i>	<u>(1,590,252)</u>	<u>(1,590,252)</u>	<u>(1,048,642)</u>	<u>541,610</u>
Fund Balance at Beginning of Year	1,429,134	1,429,134	1,429,134	
Prior Year Encumbrances Appropriated	161,118	161,118	161,118	
<i>Fund Balance at End of Year</i>	<u>\$ 541,610</u>	<u>\$ 541,610</u>	<u>\$ 541,610</u>	<u>\$ 541,610</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, 2012

	<u>Agency Fund</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>37,867</u></u>
Liabilities:	
Undistributed Monies	\$ <u><u>37,867</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, 2012**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Edgerton Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Edgerton Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional/support facility staffed by 30 non-certified and 52 certified full-time teaching personnel who provide services to 619 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 may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units 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 Health Plan, Northwest Division of Optimal Health Initiatives (OHI) 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.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 non-major funds in a single column. Fiduciary funds are reported by type.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 Bond Retirement 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.

Bond Retirement Fund - The Bond Retirement fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

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.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2012, 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, 2012.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$7,130, which includes \$4,207, 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.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended uses established by the Board of Education.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

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 Statement of Cash Receipts, Disbursements and Changes in Fund Balance – 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) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

Fund Cash Balance	General Fund
Cash Basis	\$665,232
Funds Budgeted Elsewhere	(8,649)
Adjustment for Encumbrances	(114,973)
Budget Basis	\$ 541,610

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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;
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 trading 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, \$452,576 of the District's bank balance of \$3,251,295 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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS - (Continued)

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, 2012, the District's only investment was \$1,002 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 on nationally recognized standard rating service.

5. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2012 were as follows:

	Balance at 06/30/11	Increase	Decrease	Balance at 06/30/12	Amounts Due In One Year
General Obligation Bonds	\$8,065,000		\$8,065,000		
General Obligation Refunding Bonds, Series 2012A		\$7,425,000		\$7,425,000	\$165,000
Capital Appreciation Bonds		85,549		85,549	
Limited Tax General Obligation Energy Conservation Bonds, Series 2012B		595,000		595,000	40,000
Total Long-Term Obligations	\$8,065,000	\$8,105,549	\$8,065,000	\$8,105,549	\$205,000

Debt outstanding at June 30, 2012 consisted of General Obligations Refunding Bonds and Energy Conservation Bonds. The refunding bonds totaling \$7,510,549 (the interest rates for the refunding bonds were 2 percent to 3.0 percent). The refunding bonds were issued in March 2012 and will mature November 2030. The Energy Conservation Bonds totaled \$595,000. The interest rates for the energy conservation bonds were 1.0 percent to 3.0 percent. The energy conservation bonds were issued in March 2012 and will mature November 2026.

General Obligation Refunding Bonds, Series 2012A

The District issued \$7,510,549 in general obligation refunding bonds for refunding the 2002 general obligation bonds.

The School Improvement Refunding Bonds, Series 2012A, was undertaken to reduce the combined total debt service payments over the next 18 years by \$1,470,213 and resulted in a net present value savings of \$1,164,030.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. LONG TERM OBLIGATIONS - (Continued)

The bonds were issued on March 14, 2012. The bond issue included current interest serial and term and capital appreciation bonds in the amount of \$7,425,000 and \$85,549. 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 (November 1)	Principal Amount	Interest Rate
2012	\$165,000	2.00%
2013	365,000	2.00%
2014	375,000	2.00%
2015	380,000	2.00%
2016	385,000	1.50%
2017	390,000	2.00%
2019	295,000	2.00%
2020	405,000	2.00%
2021	415,000	2.25%
2022	420,000	2.50%
2023	430,000	2.50%
2024	445,000	3.00%
2025	455,000	3.00%
2026	470,000	3.00%
2027	485,000	3.00%
2028	500,000	3.00%
2029	515,000	3.00%
2030	530,000	3.00%

The capital appreciation bonds were issued in the aggregate original principal amount of \$85,549 and mature on November 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Maturity Date (November 1)	Original Principal Amount	Accreted Value at Maturity
2018	\$71,550	\$395,000
2019	13,999	100,000

Total accreted interest of \$409,451 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Limited Tax General Obligation Energy Conservation Bonds, Series 2012B

The District issued \$595,000 in limited tax general obligation energy conservation bonds for energy conservation improvements.

The bonds were issued on March 14, 2012. The bond issue included current interest serial and term bonds in the amount of \$595,000. The bonds will be retired from the Bond Retirement fund.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. LONG TERM OBLIGATIONS - (Continued)

The serial bonds shall mature in the principal amounts and on the due dates, shall bear interest as follows:

<u>Maturity Date (November 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$40,000	1.000%
2013	35,000	1.000%
2014	35,000	1.000%
2015	35,000	1.000%
2016	35,000	1.000%
2017	40,000	1.375%
2018	40,000	1.500%
2019	40,000	1.750%
2020	40,000	2.000%
2021	40,000	2.250%
2026	215,000	3.000%

The interest payment dates for the bonds shall be May 1 and November 1, commencing on November 1, 2012. The serial bonds shall be those bonds scheduled to mature on November 1, 2012 through 2021, and the term bonds shall be those bonds scheduled to mature November 1, 2026.

Mandatory redemption, except to the extent retire by optional redemption prior to maturity, the term bonds scheduled to mature on November 1, 2026, shall be subject to mandatory sinking fund redemption on November 1 in the following years and in the following aggregate amounts:

<u>Maturity Date (November 1)</u>	<u>Principal Amount</u>
2022	\$40,000
2023	40,000
2024	45,000
2025	45,000

If retired only by mandatory sinking fund redemption prior to stated maturity, there would remain \$45,000 in aggregate principal amount of those term bonds to be paid at maturity on November 1, 2026.

Total expenditures for interest for the above debt for the period ended June 30, 2012 was \$206,787.

The scheduled payments of principal and interest on debt outstanding at June 30, 2012 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$205,000	\$197,353	\$402,353
2014	400,000	190,138	590,138
2015	410,000	182,387	592,387
2016	415,000	174,487	589,487
2017	420,000	167,450	587,450
2018 - 2022	1,790,549	747,294	2,537,843
2023 - 2027	2,435,000	487,050	2,922,050
2028 – 2031	2,030,000	124,050	2,154,050
Total	<u>\$8,105,549</u>	<u>\$2,270,209</u>	<u>\$10,375,758</u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 2012 represent the collection calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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.

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, 2012, are available to finance fiscal year 2012 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 2012 taxes are based are as follows:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$58,060,020	82%	\$60,080,610	81%
Industrial/Commercial	9,473,260	13%	10,430,530	14%
Public Utility	3,419,970	5%	3,580,900	5%
Tangible Personal	134,700	0%		
Total Assessed Value	<u>\$71,087,950</u>	<u>100%</u>	<u>\$74,092,040</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$48.80		\$48.80	

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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, 2012, the District recorded income tax revenue of \$720,674 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.

B. Employee Insurance Benefits Program

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI) to form the Northern Buckeye Health Plan (NBHP), Northwest Division of OH (Note 14). Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, 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.

Effective January 1, 2012 the plan was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP plan is an insurance purchasing pool. The plan is governed by the Northern Buckeye Health Plan and the participating members of the plan. The executive Director of the NBHP coordinates the management and administration of the program.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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.

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 2012, 12.70 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, 2012, 2011 and 2010 were \$121,505, \$99,528 and \$156,634 respectively; 86 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 E. Broad St., Columbus, OH 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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. DEFINED BENEFIT PENSION PLAN - (Continued)

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, 2012, 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 2012, 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$323,345, \$320,632, and \$299,879 respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 2012, three members of the Board of Education have elected Social Security. The employer contribution rate is 6.2 percent of wages and the employee contribution rate is 4.2 percent.

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 St., 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 2012, 1.43 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 2012, the minimum compensation level was established at \$35,800. The District's SERS surcharge amount for 2012 was \$6,970.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. POST-EMPLOYMENT BENEFITS - (Continued)

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, 2012, 2011, and 2010 were \$17,427, \$23,439, and \$17,713 respectively; 86 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, 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, 2012, 2011, and 2010 were \$7,176, \$6,405 and \$9,315, respectively; 86 percent has been contributed for fiscal year 2012 and 100 percent for fiscal year 2011 and 2010.

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 2012, 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, 2012, 2011, and 2010 were \$24,873, \$24,664, and \$23,068, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011.

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

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2011	
Current Year Set-aside Requirement	\$106,068
Current Year Offsets	(\$106,068)
Total	_____
Cash Balance Carried Forward to FY 2013	_____

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 \$78,743. 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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS - (Continued)

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.

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 MRDD, 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. Employee Insurance Benefits Program

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. GROUP PURCHASING POOLS – (Continued)

In fiscal year 2012, the District contributed a total of \$321,057 to the Northern Buckeye Education Council for all employee insurance plans. Financial information for the period July 1, 2011 through December 31, 2011 can be obtained from Robin Pfund, Treasurer, at 209 Nolan Parkway, Archbold, OH 43502.

In fiscal year 2012, the District contributed a total of \$342,350 to the Northern Buckeye Health Plan, Northwest Division of OHI for all employee insurance plans. Financial information for the period January 1, 2012 through June 30, 2012 can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, Ohio 45242.

B. 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 \$584 to the WCGRP to cover the costs of administering the program.

On January 1, 2012 the WCGRP was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP WCGRP is an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program.

15. INTERFUND BALANCES

During the year ended June 30, 2012, the General fund transferred \$16,000 to the Uniform School Supply fund and \$5,250 to the Public School Support fund. The transfers were made to subsidize the funds to cover current year expenditures. The transfers are not included on the financial statements due to GASB 54 reporting. The Permanent Improvement fund transferred \$3,726 to the General fund to correct an error.

16. INTERFUND ADVANCES

During the year ended June 30, 2012, the General fund advanced \$3,600 to the Education Jobs Grant, \$136,832 to the Title VI-B Idea Grant, \$878 to the Title II-D Grant, \$34,392 to the Title I Grant, and \$18,436 to the Title II-A Grant to help with subsidize current year operations until grant monies are received. The Title I Grant fund repaid a prior year advance of \$17,504 to the General fund.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

17. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Building Construction	Classroom Facilities	Other Governmental	Total Governmental Funds
Restricted for:						
Regular Instruction					\$14,759	\$14,759
Special Instruction					136,832	136,832
Athletics					28,441	28,441
Food Service Operations					66,284	66,284
Facilities Maintenance					35,237	35,237
Debt Retirement		\$724,041				724,041
Building Construction			\$515,374	\$720,026		1,235,400
Total Restricted		724,041	515,374	720,026	281,553	2,240,994
Assigned for:						
Committed for Permanent Improvement					266,267	266,267
Educational Activities	\$8,651					8,651
Unpaid Obligations (encumbrances)	114,975					114,975
Budget Stabilization	541,606					541,606
Total Assigned	665,232					665,232
Total Fund Balance	\$665,232	\$724,041	\$515,374	\$720,026	\$547,820	\$3,172,493

18. CONTINGENCIES

A. Litigation

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

B. School Contingency

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

18. CONTINGENCIES – (Continued)

C. Federal and State 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

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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, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2013, 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 opinions 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected. We consider findings 2012-002 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

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 or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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 6, 2013.

The District's response to the finding 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, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 6, 2013

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2012

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Revised Code, § 117.38, provides in part each public office, other than a state agency, 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 2012, the District prepared its financial statements on the cash basis of accounting in a format similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34. 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, 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 2012-002

Material Weakness

Budgetary Reporting

Section 2400.102 of the Codification of Governmental Accounting and Financial Reporting Standards requires budgetary comparisons be presented for the General fund and for each major Special Revenue fund which has a legally adopted annual budget.

The budgetary comparison schedule should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. A separate column to report the variance between the final budget and actual amounts is encouraged but not required.

The *original budget* is the first complete appropriated budget. The original budget may be adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget should also include actual appropriation amounts automatically carried over from prior years by law.

**FINDING NUMBER 2012-002
(Continued)**

The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year, whenever signed into law or otherwise legally authorized.

The District did not properly report original and final budgeted amounts on its budgetary statement.

Net budgetary adjustments to original and final budgeted amounts were recorded to the District's budgetary statement in amounts ranging from \$1,540,732 to \$53,801.

We recommend original and final budgeted amounts be presented on the budgetary statement in accordance with Board approved amounts.

Officials' Response:

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

FINDING NUMBER 2012-003

Material Weakness

Financial Reporting

The District issued bonds in the amount of \$7,510,549 during 2012. The proceeds were used to refinance the remaining outstanding bonds of the 2002 school construction issue. Certain reporting errors were noted related to this transaction. The amount paid to the escrow agent \$7,844,493 was recorded as "Debt Service - Principal Retirement" instead of "Payment of Refunded Bond Escrow Agent" within the Bond Retirement fund. Debt issuance costs of \$13,430 were recorded as "Capital Outlay" in the Building Construction fund.

Adjustments were recorded to the financial statements to correct these reporting errors.

Sound financial reporting is the responsibility of the Fiscal Officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Chief Financial Officer /Treasurer and the Board of Education, to identify and correct errors and omissions.

Officials' Response:

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Administrative Code § 117-2-03 (B) – for not reporting in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2012-001 in this report.
2011-002	Noncompliance Citation/ Material Weakness - Special Education Cluster – Special Education Grants to States – ARRA - Reporting – Cash advance amount was not included on the 2010 Special Education ARRA final expenditure report.	Yes	

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Dave Yost • Auditor of State

EDGERTON LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2013**