



**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EDGERTON LOCAL SCHOOL DISTRICT
DEFIANCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type	14
Combined Statement of Cash Flows – Proprietary Fund Type	15
Notes to the General-Purpose Financial Statements	17
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Edgerton Local School District
Williams County
324 North Michigan Avenue
Edgerton, Ohio 43517-9719

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Edgerton Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Edgerton Local School District, Williams County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted accounted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 6, 2001

This page intentionally left blank.

This page intentionally left blank.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,499,073	\$48,349	\$22,500	\$59,500
Receivables:				
Taxes	1,563,179		53,051	110,000
Accounts				
Accrued Interest	1,858			
Income Tax	323,609			
Materials and Supplies Inventory	196,424			
Prepaid Items	1,903			
Fixed Assets				
Accumulated Depreciation				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	18,657			
Other Debits:				
Amount Available in Debt Service Fund				
Provided from General Government Resources				
Total Assets and Other Debits	<u>\$4,604,703</u>	<u>\$48,349</u>	<u>\$75,551</u>	<u>\$169,500</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$22,667	\$35,748			\$2,687,837
				1,726,230
318				318
				1,858
				323,609
24,980				221,404
				1,903
28,067		\$5,942,921		5,970,988
(14,699)				(14,699)
				18,657
			\$22,500	22,500
			613,060	613,060
\$61,333	\$35,748	\$5,942,921	\$635,560	\$11,573,665

(Continued)

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$2,440			
Accrued Wages and Benefits	402,218	\$6,392		
Compensated Absences Payable	29,201			
Intergovernmental Payable	69,382	868		
Deferred Revenue	1,481,631		\$51,298	\$106,420
Due to Students				
Energy Conservation Loan Payable				
Asbestos Removal Loan Payable				
Total Liabilities	<u>1,984,872</u>	<u>7,260</u>	<u>51,298</u>	<u>106,420</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	27,046			3,779
Reserved for Inventory	196,424			
Reserved for Prepaid Items	1,903			
Reserved for Debt Service Principal			22,500	
Reserved for Property Taxes	81,548		1,753	3,581
Reserved for Budget Stabilization	18,657			
Unreserved:				
Unreserved, Undesignated	2,294,253	41,089		55,720
Total Fund Equity and Other Credits	<u>2,619,831</u>	<u>41,089</u>	<u>24,253</u>	<u>63,080</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,604,703</u>	<u>\$48,349</u>	<u>\$75,551</u>	<u>\$169,500</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
	\$327			\$2,767
\$10,492				419,102
10,368			\$358,661	398,230
3,353			35,867	109,470
6,158				1,645,507
	35,421			35,421
			205,000	205,000
			36,032	36,032
30,371	35,748		635,560	2,851,529
		\$5,942,921		5,942,921
30,962				30,962
				30,825
				196,424
				1,903
				22,500
				86,882
				18,657
				2,391,062
30,962		5,942,921		8,722,136
\$61,333	\$35,748	\$5,942,921	\$635,560	\$11,573,665

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$2,405,199	\$188,332
Interest	139,692	1,129
Tuition and Fees	26,518	
Extracurricular Activities		68,530
Income Tax	802,959	
Property and Other Local Taxes	1,601,166	
Miscellaneous	114,090	5,817
	<u>5,089,624</u>	<u>263,808</u>
Expenditures:		
Instruction:		
Regular	2,119,506	35,978
Special	179,664	76,854
Vocational	151,416	
Other	21,366	
Support services:		
Pupils	187,906	16,032
Instructional Staff	218,273	7,002
Board of Education	15,668	
Administration	482,168	6,000
Fiscal	209,909	
Operation and Maintenance of Plant	440,982	2,902
Pupil Transportation	199,871	
Central	19,710	
Non-Instructional Services		59,005
Extracurricular activities	140,786	70,245
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
	<u>4,387,225</u>	<u>274,018</u>
Excess of Revenues Over (Under) Expenditures	<u>702,399</u>	<u>(10,210)</u>
Other Financing Sources and Uses		
Operating Transfers In		2,000
Other Financing Sources	13,715	
Operating Transfers Out	(32,000)	
	<u>(18,285)</u>	<u>2,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>684,114</u>	<u>(8,210)</u>
Fund Balance at Beginning of Year	1,935,717	49,299
Fund Balance at End of Year	\$2,619,831	\$41,089

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
	\$132,387	\$2,725,918
	585	141,406
		26,518
		68,530
		802,959
\$53,065	66,742	1,720,973
		119,907
<u>53,065</u>	<u>199,714</u>	<u>5,606,211</u>
	33,353	2,188,837
		256,518
		151,416
		21,366
		203,938
		225,275
		15,668
	3,342	488,168
		213,251
		443,884
		199,871
		19,710
		59,005
		211,031
	167,565	167,565
50,000		50,000
11,375		11,375
<u>61,375</u>	<u>204,260</u>	<u>4,926,878</u>
<u>(8,310)</u>	<u>(4,546)</u>	<u>679,333</u>
5,000		7,000
		13,715
		(32,000)
<u>5,000</u>		<u>(11,285)</u>
(3,310)	(4,546)	668,048
27,563	67,626	2,080,205
<u>\$24,253</u>	<u>\$63,080</u>	<u>\$2,748,253</u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$2,197,898	\$2,405,449	\$207,551
Interest	58,500	140,444	81,944
Tuition and Fees	5,000	5,151	151
Extracurricular Activities			
Income Tax	625,000	686,613	61,613
Property and Other Local Taxes	1,459,328	1,641,133	181,805
Miscellaneous	35,500	114,190	78,690
Total Revenues	4,381,226	4,992,980	611,754
Expenditures:			
Current:			
Instruction:			
Regular	2,163,644	2,099,038	64,606
Special	177,656	176,725	931
Vocational	158,723	153,074	5,649
Other	3,000		3,000
Support services:			
Pupils	206,249	196,300	9,949
Instructional Staff	342,902	223,191	119,711
Board of Education	20,907	16,326	4,581
Administration	511,268	469,953	41,315
Fiscal	212,898	207,920	4,978
Operation and Maintenance of Plant	467,358	452,008	15,350
Pupil Transportation	276,236	207,955	68,281
Central	28,710	19,710	9,000
Non-Instructional Services			
Extracurricular activities	168,874	140,168	28,706
Capital Outlay	26,371	15,290	11,081
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	4,764,796	4,377,658	387,138
Excess of Revenues Over (Under) Expenditures	(383,570)	615,322	998,892
Other Financing Sources and Uses			
Operating Transfers In			
Other Financing Sources		13,715	13,715
Operating Transfers Out	(1,412,248)	(32,000)	1,380,248
Total Other Financing Sources (Uses)	(1,412,248)	(18,285)	1,393,963
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,795,818)	597,037	2,392,855
Fund Balances at Beginning of Year	1,795,689	1,795,689	
Prior Year Encumbrances Appropriated	97,061	97,061	
Fund Balance at End of Year	\$96,932	\$2,489,787	\$2,392,855

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$183,329	\$188,332	\$5,003			
3,136	1,129	(\$2,007)			
68,247	68,530	283			
6,801	5,817	(984)	\$56,375	\$56,375	
261,513	263,808	2,295	56,375	56,375	
44,406	35,978	8,428			
82,524	70,437	12,087			
16,032	16,032				
7,002	7,002				
6,000	6,000				
2,901	2,901				
59,943	59,939	4			
96,542	72,353	24,189			
			72,500	50,000	\$22,500
			11,375	11,375	
315,350	270,642	44,708	83,875	61,375	22,500
(53,837)	(6,834)	47,003	(27,500)	(5,000)	22,500
654	2,000	1,346	5,000	5,000	
654	2,000	1,346	5,000	5,000	
(53,183)	(4,834)	48,349	(22,500)		22,500
53,083	53,083		22,500	22,500	
100	100				
	\$48,349	\$48,349		\$22,500	\$22,500

(Continued)

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$131,840	\$132,387	\$547
Interest	500	585	85
Tuition and Fees			
Extracurricular Activities			
Income Tax			
Property and Other Local Taxes	73,372	72,812	(560)
Miscellaneous			
Total Revenues	205,712	205,784	72
Expenditures:			
Current:			
Instruction:			
Regular	48,000	37,132	10,868
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	33,500	3,342	30,158
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	195,796	181,172	14,624
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	277,296	221,646	55,650
Excess of Revenues Over (Under) Expenditures	(71,584)	(15,862)	55,722
Other Financing Sources and Uses			
Operating Transfers In			
Refund of Prior Year Expenditures			
Operating Transfers Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(71,584)	(15,862)	55,722
Fund Balances at Beginning of Year	12,924	12,924	
Prior Year Encumbrances Appropriated	58,660	58,660	
Fund Balance at End of Year	\$55,722	\$55,722	\$55,722

The notes to the general-purpose financial statements are an integral part of this statement.

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$2,513,067	\$2,726,168	\$213,101
62,136	142,158	80,022
5,000	5,151	151
68,247	68,530	283
625,000	686,613	61,613
1,589,075	1,770,320	181,245
42,301	120,007	77,706
<hr/> 4,904,826	<hr/> 5,518,947	<hr/> 614,121
2,256,050	2,172,148	83,902
260,180	247,162	13,018
158,723	153,074	5,649
3,000		3,000
222,281	212,332	9,949
349,904	230,193	119,711
20,907	16,326	4,581
517,268	475,953	41,315
246,398	211,262	35,136
470,259	454,909	15,350
276,236	207,955	68,281
28,710	19,710	9,000
59,943	59,939	4
265,416	212,521	52,895
222,167	196,462	25,705
72,500	50,000	22,500
11,375	11,375	
<hr/> 5,441,317	<hr/> 4,931,321	<hr/> 509,996
<hr/> (536,491)	<hr/> 587,626	<hr/> 1,124,117
5,654	7,000	1,346
	13,715	13,715
(1,412,248)	(32,000)	1,380,248
<hr/> (1,406,594)	<hr/> (11,285)	<hr/> 1,395,309
(1,943,085)	576,341	2,519,426
1,884,196	1,884,196	
155,821	155,821	
<hr/> \$96,932	<hr/> \$2,616,358	<hr/> \$2,519,426

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$141,790
Other	297
	142,087
Operating Expenses	
Salaries	60,248
Fringe Benefits	26,180
Purchased Services	145
Materials and Supplies	114,812
Depreciation	684
Other	425
	202,494
Operating Loss	(60,407)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	19,395
Interest	291
Federal and State Subsidies	36,690
Loss on Sale of Fixed Assets	(157)
	56,219
Loss Before Operating Transfers	(4,188)
Operating Transfers-In	25,000
	20,812
Net Income	20,812
Retained Earnings at Beginning of Year	10,150
Retained Earnings at End of Year	\$30,962

The notes to the general-purpose financial statements are an integral part of this statement.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type
	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	\$141,954
Other Cash Receipts	297
Cash Payments to Suppliers for Goods and Service	(95,424)
Cash Payments for Contract Services	(145)
Cash Payments for Employee Services	(61,005)
Cash Payments for Employee Benefits	(27,551)
Other Cash Payments	(425)
Net Cash Used by Operating Activities	(42,299)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	36,690
Transfers In	25,000
Net Cash Provided by Noncapital Financing Activities	61,690
Cash Flows from Investing Activities:	
Interest Received	291
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(10,713)
Net Cash Used by Capital and Related Financing Activities	(10,713)
Net Increase (Decrease) in Cash and Cash Equivalents	8,969
Cash and Cash Equivalents at Beginning of Year	13,698
Cash and Cash Equivalents at End of Year	\$22,667
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	(\$60,407)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	684
Donated Commodities Used During the Year	19,395
Adjustments to Capital Outlay	1,101
(Increase) Decrease in Assets:	
Accounts Receivable	164
Material and Supplies Inventory	(549)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(257)
Intergovernmental Payable	(547)
Deferred Revenue	(559)
Accrued Wages and Benefits	(1,324)
Total Adjustments	18,108
Net Cash Used by Operating Activities	(\$42,299)

The Food Service Fund consumed donated commodities with a value of \$19,395.
The use of these commodities is reflected as an operating expense.

The notes to the general-purpose financial statements are an integral part of this statement.

This page intentionally left blank.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Edgerton Local School District (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's two instructional and support facilities.

The Reporting Entity

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

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

The District is associated with six organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, Cisco Academy of Northwest Ohio, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15, and 16 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed by the enterprise funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue on the modified accrual basis.

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

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The agency funds are custodial in nature and do not present results of operations or have measurement focus.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - The funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

2. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Agency Funds - The funds used to account for assets held by the District as an agent.

3. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, for the General Fund, and at fund level for all other funds, which are the legal levels of budgetary control.
4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2001 follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$597,037	(\$4,834)		(\$15,862)
Adjustments:				
Revenue Accruals	96,644		(\$3,310)	(6,070)
Expenditure Accruals	(37,510)	(3,376)		13,607
Encumbrances	27,943			3,779
GAAP Basis	\$684,114	(\$8,210)	(\$3,310)	(\$4,546)

D. Encumbrances

The District is required to use the encumbrance method of accounting. 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. 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. Pooled Cash and Investments

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During 2001, investments were limited to STAR Ohio and repurchase agreements. Repurchase agreements are considered to be nonparticipating investment contracts and are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2001 amounted to \$140,444.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories are valued at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for asset in General Fixed Assets Account Group. The District does not have any infrastructure.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of ten years.

I. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services Grant

Professional Development Grant

Education Management Information Systems Grant (EMIS)

OneNet Data Communications

SchoolNet Professional Development

Textbooks/Instructional Materials Subsidy

Summer School Subsidy

Safe Schools Help Line

Eisenhower Grant

Title VI-B Flow Through Grant

Title I Grant

Title VI Grant

Drug Free Grant

Preschool Handicapped Grant

E-Rate Grant

Reducing Class Size Grant

School to Work Grant

Capital Project Funds

SchoolNet

Technology Equity

Emergency School Building Repair Fund

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Reimbursable Grants

General Fund

Driver Education Reimbursement

Enterprise Fund

National School Lunch Program

Food Distribution Program

J. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loan receivables and interfund loan payables.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenue amounts set-aside to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, debt service, budget stabilization, and prepaid items.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money set asides to protect against cyclical changes in revenue and expenditures.

M. Estimates

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

N. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2001.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

O. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

P. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

4. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

Interim monies are those monies that 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.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse purchase 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year-end, the District had \$100 in undeposited cash on hand, which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year-end, the carrying amount of the District's deposits was (\$58,795) and the bank balance was \$48,334. The bank balance was covered by federal depository insurance.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The \$2,675,000 and \$90,189 carrying values in the State Treasurer's Investment Pool (Star Ohio) and a repurchase agreement approximated the fair value at June 30, 2001. Amounts in Star Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District. The level of risk for amounts in the repurchase agreement is categorized as Category 2.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	Cash and Cash Equivalents	Investments	
GASB Statement 9	\$2,706,494		
Cash with Fiscal Agents	(100)		
Investments:			
Repurchase Agreement	(90,189)	\$90,189	
STAR Ohio	(2,675,000)	2,675,000	
GASB Statement 3	(\$58,795)	\$2,765,189	

5. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer of Williams and Defiance Counties collect real estate property taxes on behalf of all taxing districts within the County. The County Auditors periodically remit to the District their portion of the taxes collected with final settlement in March and September.

The County Treasurer of Williams and Defiance Counties collect personal property taxes on behalf of all taxing districts within the County. The County Auditors periodically remit to the District their portion of the taxes collected with final settlement in May and October.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2001. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2001.

The assessed values of properties upon which property tax revenues were based are as follows:

	<u>Amount</u>
Agricultural/Residential	\$44,881,730
Commercial/Industrial	5,964,450
Public Utility	6,483,890
General Personal Property	<u>10,619,840</u>
Total valuation	<u><u>\$67,949,910</u></u>

6. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/01</u>
Land and land improvements	\$114,614			\$114,614
Buildings	3,152,675	\$197,360	\$9,378	3,340,657
Furniture, fixtures, and equipment	1,680,157	111,392	29,815	1,761,734
Textbooks and library books	<u>732,811</u>	<u>61,989</u>	<u>68,884</u>	<u>725,916</u>
Total	<u><u>\$5,680,257</u></u>	<u><u>\$370,741</u></u>	<u><u>\$108,077</u></u>	<u><u>\$5,942,921</u></u>

A summary of the Enterprise Fund fixed assets is as follows:

Asset Category	<u>Balance at 6/30/01</u>
Furniture and Equipment	\$28,067
Less: Accumulated Depreciation	<u>(14,699)</u>
Totals	<u><u>\$13,368</u></u>

7. RECEIVABLES

Receivables, at June 30, 2001, consisted of taxes, interest, accounts (billings for user charged services), and income tax revenues. All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

8. LONG-TERM OBLIGATIONS

During the year ended June 30, 2001, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	Balance at July 1, 2000	Additions	Deductions	Balance at June 30, 2001
General Obligation Bonds	\$250,000		\$45,000	\$205,000
EPA Asbestos Notes	41,032		5,000	36,032
Total Long-Term Bonds and Notes	291,032		50,000	241,032
Pension Obligation	33,496	\$2,371		35,867
Compensated Absences	348,759	9,902		358,661
Total Long-Term Obligations	<u>\$673,287</u>	<u>\$12,273</u>	<u>\$50,000</u>	<u>\$635,560</u>

Debt outstanding at June 30, 2001 consisted of School Energy Conservation Bonds totaling \$205,000 and an Asbestos Abatement Note totaling \$36,032 (interest rates were 5 percent for the bonds and the note was free of interest). The bonds were issued in August 1996 and will mature in September 2005. The note was issued in June 1991 and will mature in November 2008.

Total expenditures for interest for the above debt for the period ended June 30, 2001 was \$5,125.

The scheduled payments of principal and interest on debt outstanding at June 30, 2001 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$50,000	\$9,125	\$59,125
2003	45,000	7,000	52,000
2004	45,000	5,000	50,000
2005	45,000	3,000	48,000
2006	45,000	1,000	46,000
Thereafter	11,032		11,032
Total	<u>\$241,032</u>	<u>\$25,125</u>	<u>\$266,157</u>

9. COMPENSATED ABSENCES

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

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

At June 30, 2001 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$29,201 and \$358,661, respectively. The liability for compensated absences in the proprietary funds at June 30, 2001 was \$10,368.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. PENSION AND RETIREMENT PLANS

State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$328,812, \$282,456, and \$272,547, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$55,904 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit 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 State statute per 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, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$99,652, \$86,143, and \$81,416, respectively; 54 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$45,902 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

11. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to the District by SERS.

12. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2001 was as follows:

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$120,908	\$21,179	\$142,087
Depreciation	684		684
Operating Loss	(69,412)	9,005	(60,407)
Donated Commodities	19,395		19,395
Grants	36,690		36,690
Interest	291		291
Loss on Sale of Fixed Assets	(157)		(157)
Operating Transfers - In	25,000		25,000
Net Income	11,807	9,005	20,812
Net Working Capital	(5,218)	22,812	17,594
Total Assets	38,521	22,812	61,333
Total Liabilities	30,371		30,371
Total Equity	8,150	22,812	30,962

13. INTERFUND TRANSACTIONS

Transfers between funds during the year ended June 30, 2001 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$32,000
Special Revenue Funds	\$2,000	
Bond Retirement Fund	5,000	
Enterprise Funds	25,000	
Total All Funds	<u>\$32,000</u>	<u>\$32,000</u>

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, 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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$38,530 for services received through NBEC for fiscal year 2001. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy 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 representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Board of Education of the Four County Career Center has been designated fiscal agent for the Academy. Financial information can be obtained from Lois Knuth, who serves as Treasurer of the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

15. RISK MANAGEMENT

A. Insurance-Comprehensive

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which include health, dental, and life insurance plans. Northern Buckeye

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). 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.

16. INSURANCE POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. The District paid \$445,168 for these services to NBEC in fiscal year 2001. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program. The District paid \$561 for these services to NBEC in fiscal year 2001.

17. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of Edgerton Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2001, the District

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

recorded income tax revenue of \$802,959 in the General Fund, of which \$323,609 is recorded as a receivable at June 30, 2001.

18. AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at June 30, 2000	Change	Balance at June 30, 2001
Assets	\$36,423	(\$675)	\$35,748
Liabilities	\$36,423	(\$675)	\$35,748

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers compensation refunds is required to be set aside at fiscal year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization.

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2000	\$(37,448)		\$86,890
Current Year Set-aside Requirement	106,080	\$106,080	
Current Year Offsets		(82,859)	
Qualifying Disbursements	(157,283)	(43,660)	(68,233)
Total	(\$88,651)	(\$20,439)	\$18,657
Balance Carried Forward to FY 2002	(\$88,651)		\$18,657
Amount restricted for Budget Stabilization			\$18,657
Total Restricted Assets			\$18,657

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

20. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 6, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Edgerton Local School District
Williams County
324 North Michigan Avenue
Edgerton, Ohio 43517-9719

To the Board of Education:

We have audited the financial statements of Edgerton Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 6, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 6, 2001.

Edgerton Local School District
Williams County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 6, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
DEEMBER 27, 2001**