



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**EDGERTON LOCAL SCHOOL DISTRICT  
DEFIANCE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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 .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – Proprietary Fund Type .....	12
Combined Statement of Cash Flows – Proprietary Fund Type .....	13
Notes to the General-Purpose Financial Statements .....	15
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	35

**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](http://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 the Edgerton Local School District, Williams County, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards 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 the Edgerton Local School District, Williams County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2000 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 15, 2000

**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  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,805,860	\$53,183	\$22,500	\$71,583
Receivables:				
Taxes	1,312,945		54,707	101,038
Accounts	465			
Accrued Interest	2,495			
Income Tax	207,263			
Materials and Supplies Inventory	183,590	290		
Prepaid Items	1,937			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	86,890			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund				
Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b><u>\$3,601,445</u></b>	<b><u>\$53,473</u></b>	<b><u>\$77,207</u></b>	<b><u>\$172,621</u></b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$21,627	\$2,397		
Contracts Payable				\$13,608
Accrued Wages and Benefits	388,512	883		
Compensated Absences Payable	6,664			
Intergovernmental Payable	57,495	894		
Deferred Revenue	1,191,430		\$49,644	91,387
Due to Students				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>1,665,728</u>	<u>4,174</u>	<u>49,644</u>	<u>104,995</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	90,908	100		58,660
Reserved for Inventory	183,590	290		
Reserved for Prepaid Items	1,937			
Reserved for Debt Service Principal			22,500	
Reserved for Property Taxes	121,515		5,063	9,651
Reserved for Budget Stabilization	86,890			
Unreserved:				
Unreserved, Undesignated	1,450,877	48,909		(\$685)
Total Fund Equity and Other Credits	<u>1,935,717</u>	<u>49,299</u>	<u>27,563</u>	<u>67,626</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$3,601,445</u></b>	<b><u>\$53,473</u></b>	<b><u>\$77,207</u></b>	<b><u>\$172,621</u></b>

*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			
\$13,698	\$36,115			\$2,002,939
482				1,468,690
				947
				2,495
24,431	308			207,263
				208,619
				1,937
20,025		\$5,680,257		86,890
(15,428)				5,700,282
				(15,428)
			\$22,500	22,500
			650,787	650,787
<b>\$43,208</b>	<b>\$36,423</b>	<b>\$5,680,257</b>	<b>\$673,287</b>	<b>\$10,337,921</b>
				\$24,024
\$11,816				13,608
10,625			\$348,759	401,211
3,900			33,496	366,048
6,717				95,785
	\$36,423			1,339,178
				36,423
			41,032	41,032
			250,000	250,000
33,058	36,423		673,287	2,567,309
		\$5,680,257		5,680,257
10,150				10,150
				149,668
				183,880
				1,937
				22,500
				136,229
				86,890
				1,499,101
10,150		5,680,257		7,770,612
<b>\$43,208</b>	<b>\$36,423</b>	<b>\$5,680,257</b>	<b>\$673,287</b>	<b>\$10,337,921</b>

**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, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$2,155,009	\$158,969
Interest	127,139	591
Tuition and Fees	17,754	
Extracurricular Activities		58,279
Income Tax	864,496	
Property and Other Local Taxes	1,194,475	
Miscellaneous	36,632	3,270
Total Revenues	<u>4,395,505</u>	<u>221,109</u>
<b>Expenditures:</b>		
Instruction:		
Regular	1,997,910	14,961
Special	136,600	69,452
Vocational	141,637	
Other	7,595	
Support services:		
Pupils	219,478	11,929
Instructional Staff	214,151	6,468
Board of Education	13,986	
Administration	375,836	10,000
Fiscal	187,985	
Operation and Maintenance of Plant	407,606	
Pupil Transportation	247,876	
Central	27,490	
Non-Instructional Services		39,631
Extracurricular activities	131,502	65,017
Capital Outlay	43,244	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>4,152,896</u>	<u>217,458</u>
Excess of Revenues Over (Under) Expenditures	<u>242,609</u>	<u>3,651</u>
<b>Other Financing Sources (Uses):</b>		
Operating Transfers In		
Other Financing Sources	295	148
Operating Transfers Out	(10,000)	
Other Financing Uses		(1,157)
Total Other Financing Sources (Uses)	<u>(9,705)</u>	<u>(1,009)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	232,904	2,642
Fund Balance at Beginning of Year	1,702,813	46,657
<b>Fund Balance at End of Year</b>	<b><u>\$1,935,717</u></b>	<b><u>\$49,299</u></b>

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

<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	
	\$63,747	\$2,377,725
	673	128,403
		17,754
		58,279
		864,496
\$59,042	60,997	1,314,514
		39,902
<u>59,042</u>	<u>125,417</u>	<u>4,801,073</u>
		2,012,871
		206,052
		141,637
		7,595
		231,407
		220,619
		13,986
		385,836
	2,940	190,925
		407,606
		247,876
		27,490
		39,631
		196,519
	132,957	176,201
50,000		50,000
13,625		13,625
<u>63,625</u>	<u>135,897</u>	<u>4,569,876</u>
<u>(4,583)</u>	<u>(10,480)</u>	<u>231,197</u>
5,000		5,000
		443
		(10,000)
		(1,157)
<u>5,000</u>		<u>(5,714)</u>
417	(10,480)	225,483
27,146	78,106	1,854,722
<u>\$27,563</u>	<u>\$67,626</u>	<u>\$2,080,205</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, 2000**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$2,117,151	\$2,154,760	\$37,609
Interest	85,000	124,844	39,844
Tuition and Fees	5,000	17,754	12,754
Extracurricular Activities			
Income Tax	625,000	657,233	32,233
Property and Other Local Taxes	1,221,259	1,385,729	164,470
Miscellaneous	21,000	38,752	17,752
Total Revenues	4,074,410	4,379,072	304,662
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,142,525	2,047,903	94,622
Special	126,751	126,164	587
Vocational	143,719	140,621	3,098
Other	14,000	7,595	6,405
Support services:			
Pupils	221,406	219,114	2,292
Instructional Staff	353,428	215,670	137,758
Board of Education	27,530	14,616	12,914
Administration	409,126	375,504	33,622
Fiscal	206,827	190,343	16,484
Operation and Maintenance of Plant	450,121	408,586	41,535
Pupil Transportation	372,267	310,982	61,285
Central	36,500	27,490	9,010
Non-Instructional Services			
Extracurricular activities	174,490	131,130	43,360
Capital Outlay	50,000	49,622	378
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	4,728,690	4,265,340	463,350
Excess of Revenues Over (Under) Expenditures	(654,280)	113,732	768,012
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In			
Refund of Prior Year Expenditures		1,664	1,664
Operating Transfers Out	(940,969)	(10,000)	930,969
Refund of Prior Year Receipts			
Total Other Financing Sources (Uses)	(940,969)	(8,336)	932,633
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,595,249)	105,396	1,700,645
Fund Balance at Beginning of Year	1,623,192	1,623,192	
Prior Year Encumbrances Appropriated	67,101	67,101	
<b>Fund Balance at end of Year</b>	<b>\$95,044</b>	<b>\$1,795,689</b>	<b>\$1,700,645</b>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$160,567	\$160,567				
581	591	\$10			
58,022	59,290	1,268			
3,348	3,270	(78)	\$58,625	\$58,625	
222,518	223,718	1,200	58,625	58,625	
19,910	14,961	4,949			
85,598	75,250	10,348			
11,929	11,929				
8,468	6,468	2,000			
10,000	10,000				
46,356	38,797	7,559			
89,789	62,910	26,879			
			72,500	50,000	\$22,500
			13,625	13,625	
272,050	220,315	51,735	86,125	63,625	22,500
(49,532)	3,403	52,935	(27,500)	(5,000)	22,500
	148	148	5,000	5,000	
(1,157)	(1,157)				
(1,157)	(1,009)	148	5,000	5,000	
(50,689)	2,394	53,083	(22,500)		22,500
50,689	50,689		22,500	22,500	
	<b>\$53,083</b>	<b>\$53,083</b>		<b>\$22,500</b>	<b>\$22,500</b>

(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, 2000  
(Continued)**

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$63,963	\$63,747	(\$216)
Interest		673	673
Tuition and Fees			
Extracurricular Activities			
Income Tax			
Property and Other Local Taxes	86,629	54,317	(32,312)
Miscellaneous	13,371		(13,371)
<b>Total Revenues</b>	<b>163,963</b>	<b>118,737</b>	<b>(45,226)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	5,000	2,940	2,060
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	242,673	186,583	56,090
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>247,673</b>	<b>189,523</b>	<b>58,150</b>
Excess of Revenues Over (Under) Expenditures	(83,710)	(70,786)	12,924
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In			
Refund of Prior Year Expenditures			
Operating Transfers Out			
Refund of Prior Year Receipts			
<b>Total Other Financing Sources (Uses)</b>			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(83,710)	(70,786)	12,924
Fund Balance at Beginning of Year	61,629	61,629	
Prior Year Encumbrances Appropriated	22,081	22,081	
<b>Fund Balance at end of Year</b>		<b>\$12,924</b>	<b>\$12,924</b>

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

<b>Totals (Memorandum Only)</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$2,341,681	\$2,379,074	\$37,393
85,581	126,108	40,527
5,000	17,754	12,754
58,022	59,290	1,268
625,000	657,233	32,233
1,366,513	1,498,671	132,158
37,719	42,022	4,303
<u>4,519,516</u>	<u>4,780,152</u>	<u>260,636</u>
2,162,435	2,062,864	99,571
212,349	201,414	10,935
143,719	140,621	3,098
14,000	7,595	6,405
233,335	231,043	2,292
361,896	222,138	139,758
27,530	14,616	12,914
419,126	385,504	33,622
211,827	193,283	18,544
450,121	408,586	41,535
372,267	310,982	61,285
36,500	27,490	9,010
46,356	38,797	7,559
264,279	194,040	70,239
292,673	236,205	56,468
72,500	50,000	22,500
13,625	13,625	
<u>5,334,538</u>	<u>4,738,803</u>	<u>595,735</u>
<u>(815,022)</u>	<u>41,349</u>	<u>856,371</u>
5,000	5,000	
	1,812	1,812
(940,969)	(10,000)	930,969
<u>(1,157)</u>	<u>(1,157)</u>	
<u>(937,126)</u>	<u>(4,345)</u>	<u>932,781</u>
(1,752,148)	37,004	1,789,152
1,758,010	1,758,010	
89,182	89,182	
<u>\$95,044</u>	<u>\$1,884,196</u>	<u>\$1,789,152</u>

**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, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$149,012
Other	328
Total Operating Revenues	149,340
<b>Operating Expenses</b>	
Salaries	73,367
Fringe Benefits	20,855
Purchased Services	1,430
Materials and Supplies	117,904
Depreciation	433
Other	572
Total Operating Expenses	214,561
Operating Loss	(65,221)
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	17,669
Interest	617
Federal and State Subsidies	29,491
Total Non-Operating Revenues	47,777
Loss Before Operating Transfers	(17,444)
Operating Transfers-In	5,000
Net Loss	(12,444)
Retained Earnings at Beginning of Year	22,594
<b>Retained Earnings at End of Year</b>	<b>\$10,150</b>

*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, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Sales	\$149,166
Other Cash Receipts	328
Cash Payments to Suppliers for Goods and Service	(96,108)
Cash Payments for Contract Services	(1,430)
Cash Payments for Employee Services	(62,401)
Cash Payments for Employee Benefits	(30,208)
Other Cash Payments	(572)
Net Cash Used by Operating Activities	(41,225)
<b>Cash Flows from Noncapital Financing Activities:</b>	
Operating Grants Received	34,948
Transfers In	5,000
Net Cash Provided by Noncapital Financing Activities	39,948
<b>Cash Flows from Investing Activities:</b>	
Interest Received	617
Net Decrease in Cash and Cash Equivalents	(660)
Cash and Cash Equivalents at Beginning of Year	14,358
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$13,698</b>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss	(\$65,221)
<b>Adjustments to Reconcile Operating Loss To Net Cash Used by Operating Activities:</b>	
Depreciation	433
Donated Commodities Used During the Year	17,669
(Increase) Decrease in Assets:	
Accounts Receivable	154
Material and Supplies Inventory	3,147
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	1,330
Intergovernmental Payable	185
Deferred Revenue	980
Accrued Wages and Benefits	98
Total Adjustments	23,996
<b>Net Cash Used by Operating Activities</b>	<b>\$ (41,225)</b>

The Food Service Fund consumed donated commodities with a value of \$17,669.  
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, 2000**

**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 five 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, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 to the general-purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The modified accrual basis of accounting is followed for Governmental and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

- a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
  - b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency Funds are custodial in nature and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agent capacity.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. 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.

**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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

*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.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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 and function level of expenditures, 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 and function 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.
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, 2000 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$105,396	\$2,394		(\$70,786)
Adjustments:				
Revenue Accruals	16,433	(2,609)	\$417	6,680
Expenditure Accruals	15,383	2,757		(5,034)
Other Sources/Uses	(1,369)			
Encumbrances	97,061	100		58,660
GAAP Basis	\$232,904	\$2,642	\$417	(\$10,480)

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**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 the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During 2000, 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 2000. 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, 2000.

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 2000 amounted to \$127,139.

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.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**G. 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 assets in the General Fixed Assets Account Group. The District does not have any infrastructure.

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.

**H. 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. 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  
Drug Free Grant  
Title I Grant  
Title VI Grant  
Title VI-B Flow Through Grant  
Professional Development Grant  
Education Management Information Systems Grant (EMIS)  
Auxiliary Services Grant  
Textbooks/Instructional Materials Subsidy  
Teacher Development Grant



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

Eisenhower Grant  
Preschool Handicapped Grant  
Reducing Class Size Grant

Capital Project Funds  
School Net Grant  
Technology Equity Grant

**Reimbursable Grants**

General Fund  
Driver Education Reimbursement

Enterprise Fund  
National School Lunch Program  
Food Distribution Program

**I. 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.

**J. 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 required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

**K. 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, budget stabilization, debt service, and prepaid items.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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 required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**L. 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.

**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.

**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, 2000.

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.

**3. 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.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

Protection of the 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;
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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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 (\$100,506) and the bank balance was \$34,119. 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 \$2,055,000 and \$135,235 carrying values in the State Treasurer's Investment Pool (Star Ohio) and a repurchase agreement approximated the fair value at June 30, 2000. 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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$2,089,829	
Cash with Fiscal Agents	(100)	
Investments:		
Repurchase Agreement	(135,235)	\$135,235
STAR Ohio	(2,055,000)	2,055,000
GASB Statement 3	<u>(\$100,506)</u>	<u>\$2,190,235</u>

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**4. 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 Treasurers 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 Treasurers 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.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2000. 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, 2000.

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

	<u>Amount</u>
Agricultural/Residential	\$37,426,920
Commercial/Industrial	4,918,470
Public Utility	6,417,590
General Personal Property	13,611,140
Total valuation	<u>\$62,374,120</u>

**5. FIXED ASSETS**

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

	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/00</u>
Land and land improvements	\$114,614			\$114,614
Buildings	3,101,391	\$51,284		3,152,675
Furniture, fixtures, and equipment	1,565,790	190,693	\$76,326	1,680,157
Textbooks and library books	687,720	77,253	32,162	732,811
Total	<u>\$5,469,515</u>	<u>\$319,230</u>	<u>\$108,488</u>	<u>\$5,680,257</u>

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

Asset Category	<u>Balance at 6/30/00</u>
Furniture and Equipment	\$20,025
Less: Accumulated Depreciation	(15,428)
Totals	<u>\$4,597</u>

**6. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	<u>Balance at 7/1/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/00</u>
General Obligation Bonds	\$295,000		\$45,000	\$250,000
EPA Asbestos Notes	46,032		5,000	41,032
Total Long-Term Bonds and Notes	341,032		50,000	291,032
Pension Obligation	28,249	\$5,247		33,496
Compensated Absences	319,276	29,483		348,759
Total Long-Term Obligations	<u>\$688,557</u>	<u>\$34,730</u>	<u>\$50,000</u>	<u>\$673,287</u>

Debt outstanding at June 30, 2000 consisted of School Energy Conservation Bonds totaling \$250,000 and an Asbestos Abatement Note totaling \$41,032 (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.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

Total expenditures for interest for the above debt for the period ended June 30, 2000 was \$13,625.

The scheduled payments of principal and interest on debt outstanding at June 30, 2000 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$50,000	\$11,375	\$61,375
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
Thereafter	56,032	1,000	57,032
Total	<u>\$291,032</u>	<u>\$36,500</u>	<u>\$327,532</u>

**7. 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, 2000 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 Obligations Account Group were \$6,664 and \$348,759, respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 was \$10,625.

**8. 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.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$282,456, \$272,547, and \$269,336, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$46,532 representing the unpaid contribution for fiscal year 2000 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.

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. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$86,143, \$81,416, and \$76,012, respectively; 55 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$49,253 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**9. 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 partial 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 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 equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, 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 \$2.783 billion on



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 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, 1999, the allocation rate is 6.30 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 1999, 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, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

For the District, the amount to fund health care benefits, including the surcharge, was \$49,077 during the 2000 fiscal year.

**10. 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.

**11. 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, 2000 was as follows:

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$128,637	\$20,703	\$149,340
Depreciation	433		433
Operating Loss	(48,889)	(16,332)	(65,221)
Donated Commodities	17,669		17,669
Grants	29,491		29,491
Interest	617		617
Operating Transfers - In	5,000		5,000
Net Loss	(3,888)	(16,332)	(12,444)
Net Working Capital	(8,254)	13,807	5,553
Total Assets	29,401	13,807	43,208
Total Liabilities	33,058		33,058
Total Equity	(3,657)	13,807	10,150

**12. INTERFUND TRANSACTIONS**

Transfers between funds during the year ended June 30, 2000 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$10,000
Debt Service Fund	\$5,000	
Enterprise Funds	5,000	
Total All Funds	<u>\$10,000</u>	<u>\$10,000</u>

**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. 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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$27,473 for services received through NBEC in fiscal year 2000. 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, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**14. RISK MANAGEMENT**

**A. Employee Insurance Benefits Program**

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

**B. 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 15). 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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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.

**15. 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 \$471,374 for these services to NBEC in fiscal year 2000. 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 \$516 for these services to NBEC in fiscal year 2000.

**16. SCHOOL DISTRICT INCOME TAX**

In 1991, the voters of the Edgerton Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2000, the District recorded income tax revenue of \$864,496 in the General Fund, of which \$207,263 is recorded as a receivable at June 30, 2000.

**17. AGENCY FUNDS**

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at June 30, 1999	Change	Balance at June 30, 2000
Assets	\$28,365	\$8,058	\$36,423
Liabilities	\$28,365	\$8,058	\$36,423

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**18. ACCOUNTABILITY**

At June 30, 2000, the Food Service Fund had a deficit fund balance of \$10,853, which was created by the application of generally accepted accounting principles.

**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. The District is also required to set aside money for budget stabilization.

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$50,129	
Current Year Set-aside Requirement	\$108,249	\$108,249	36,761	
Current Year Offsets		(54,990)		
Qualifying Disbursements	(145,697)	(57,015)		
Total	(\$37,448)	(\$3,757)	\$86,890	
Cash Balance Carried Forward to FY 2001			\$86,890	
Amount restricted for Budget Stabilization				\$86,890
Total Restricted Assets				\$86,890

**20. STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$2,040,104 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “major areas warrant further attention, study, and development by the General Assembly,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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



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, Williams County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 15, 2000. We conducted our audit in accordance with generally accepted auditing standards 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 15, 2000.

**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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 15, 2000.

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 15, 2000





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  
JANUARY 9, 2001**