



**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, Ohio, as of June 30, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 4, 2008

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited**

The discussion and analysis of the Edgerton Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$23,848.
- General revenues accounted for \$5,763,449, or 84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants accounted for \$1,092,766, or 16 percent of total revenues of \$6,856,215.
- The District's major funds included the General fund and the Bond Retirement fund. The General fund had \$5,295,928 in revenues and \$5,212,498 in expenditures and other financing uses. The General fund's balance increased \$83,430 from the prior fiscal year. The Bond Retirement fund had \$704,636 in revenues and other financing sources and \$613,683 in expenditures. The Bond Retirement fund's balance increased \$90,953 from the prior fiscal year.
- The revenue generated from the Bond Retirement fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1
Net Assets
Governmental Activities**

	2007	Restated 2006
<u>Assets:</u>		
Current and Other Assets	\$4,747,836	\$4,442,725
Capital Assets, Net	10,895,456	11,342,034
Total Assets	15,643,292	15,784,759
<u>Liabilities:</u>		
Current and Other Liabilities	2,534,576	2,551,533
Long-Term Liabilities	9,212,855	9,361,213
Total Liabilities	11,747,431	11,912,746
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	2,400,791	2,736,015
Restricted	634,905	385,243
Unrestricted	860,165	750,755
Total	\$3,895,861	\$3,872,013

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

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

	2007	2006
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$413,818	\$403,104
Operating Grants and Contributions	674,110	488,559
Capital Grants and Contributions	4,838	
Total Program Revenues	1,092,766	891,663
General Revenues:		
Property Taxes	2,156,779	2,223,880
Income Taxes	699,975	664,286
Grants and Entitlements Not Restricted	2,703,591	2,638,736
Investment Earnings	124,810	88,593
Payments In Lieu of Taxes		61,617
Miscellaneous Revenue	78,294	44,461
Total General Revenues	5,763,449	5,721,573
Total Revenues	6,856,215	6,613,236
<u>Expenses:</u>		
Instruction	3,559,027	3,518,517
Support Services:		
Pupils	256,085	293,100
Instructional Staff	318,327	282,093
Board of Education	44,420	37,975
Administration	462,874	447,861
Fiscal	257,318	277,640
Operation and Maintenance of Plant	618,215	733,879
Pupil Transportation	211,689	214,773
Central	34,521	29,026
Non-Instructional	302,455	311,955
Extracurricular Activities	237,253	246,243
Capital Outlay	41,154	114,851
Interest and Fiscal Charges	489,029	492,278
Total Expenses	6,832,367	7,000,191
Increase/(Decrease) in Net Assets	\$23,848	(\$386,955)

Total revenues increased approximately 3.7 percent which was primarily attributed to an increase in state and federal grants. Expenditures decreased approximately 2.4 percent which was primarily attributed to a decrease in operating and maintenance and capital outlay expenditures. There were cuts in classified staff and capital related expenditures.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Instruction	\$3,559,027	\$3,054,371	\$3,518,517	\$3,173,154
Support Services:				
Pupils	256,085	93,176	293,100	174,662
Instructional Staff	318,327	312,357	282,093	273,243
Board of Education	44,420	44,420	37,975	37,975
Administration	462,874	460,874	447,861	445,861
Fiscal	257,318	257,318	277,640	277,640
Operation and Maintenance of Plant	618,215	618,215	733,879	733,879
Pupil Transportation	211,689	204,072	214,773	214,773
Central	34,521	25,521	29,026	20,026
Non-Instructional	302,455	(15,304)	311,955	(1,531)
Extracurricular Activities	237,253	154,398	246,243	151,717
Capital Outlay	41,154	41,154	114,851	114,851
Interest and Fiscal Charges	489,029	489,029	492,278	492,278
Total Expenses	<u>\$6,832,367</u>	<u>\$5,739,601</u>	<u>\$7,000,191</u>	<u>\$6,108,528</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General fund and the Bond Retirement fund. Total governmental funds had revenues and other financing sources of \$6,876,027 and expenditures and other financing uses of \$6,540,647.

The net change in fund balance in the General fund reflects an increase of \$83,430, up \$408,393 from 2006. This was due to an increase in revenues of \$220,150 while expenditures and other financing sources decreased \$188,243. Expenditures decreased due to the closing of the middle school and several other cuts in both certified and classified staff. Supplies accounts were also held at FY 2006 totals for educational materials. The net change in fund balance in the Bond Retirement fund reflects an increase of \$90,953, up only \$73,683 from 2006. This was due to an increase in revenues greater than the decrease in debt expenditures.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General fund. During the course of fiscal year 2007, the District amended its General fund budget as needed.

Actual revenues and other financing sources exceeded final budget revenues and other financing sources by \$206,288 due primarily to unexpected increases in property taxes, income taxes, intergovernmental revenue, interest, and tuition and fees.

Final budget expenditures and other financing uses were less than the original by \$224,000 due to expected decreases in transfers out.

Final expenditures and other financing uses were budgeted at \$6,224,399 while actual expenditures and other financing uses were \$5,245,788. The \$978,611 difference is primarily due to appropriating to the maximum amount certified by the county auditor. The District did not have to utilize any contingency monies for unexpected expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$10,895,456 invested in capital assets (net of accumulated depreciation) for governmental activities which is a decrease of \$446,578 over 2006 which is primarily attributed to depreciation.

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

Debt

At June 30, 2007, the District had \$8,889,570 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-eight year period, with final maturity on December 1, 2030. The District had \$6,032 in asbestos removal notes. The notes were issued for a seventeen-year period, with final maturity on November 30, 2008. The bonds and notes are being retired through the Bond Retirement fund.

At June 30, 2007, the District's overall legal debt margin was (\$3,128,034) with an un-voted debt margin of \$64,017.

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

Current Issues

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

The District is currently operating in the second year of the state biennium budget. 47 percent of District revenue sources are from local funds, 47 percent is from state funds and the remaining 6 percent is from federal funds. The total expenditure per pupil was calculated at \$8,717.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Margie Rinkel, Treasurer, Edgerton Local School District, 111 E. River Street, Edgerton, Ohio 43517-9623.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Net Assets
June 30, 2007**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	2,070,571
Materials and Supplies Inventory		216,893
Accrued Interest Receivable		4,424
Intergovernmental Receivable		8,407
Taxes Receivable		2,141,828
Income Taxes Receivable		305,713
Non-Depreciable Capital Assets		176,328
Depreciable Capital Assets, net		10,719,128
Total Assets		15,643,292
 LIABILITIES:		
Accounts Payable		12,358
Accrued Wages and Benefits		406,980
Intergovernmental Payable		121,845
Matured Compensated Absences Payable		61,511
Deferred Revenue		1,931,882
Long-Term Liabilities:		
Due Within One Year		216,644
Due in More Than One Year		8,996,211
Total Liabilities		11,747,431
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		2,400,791
Restricted for Debt Service		306,745
Restricted for Capital Outlay		223,616
Restricted for Other Purposes		104,544
Unrestricted		860,165
Total Net Assets	\$	3,895,861

See Accompanying Notes and Accountants' Report to the Basic Financial Statemen

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services and</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net</u>
		<u>Sales</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$ 2,684,907	\$ 188,569	\$ 54,824	\$ 4,838	(2,436,676)
Special	425,554		237,847		(187,707)
Vocational	122,511		18,578		(103,933)
Other	326,055				(326,055)
Support Services:					
Pupils	256,085		162,909		(93,176)
Instructional Staff	318,327		5,970		(312,357)
Board of Education	44,420				(44,420)
Administration	462,874		2,000		(460,874)
Fiscal	257,318				(257,318)
Operation and Maintenance of Plant	618,215				(618,215)
Pupil Transportation	211,689		7,617		(204,072)
Central	34,521		9,000		(25,521)
Operation of Non-Instructional Services	302,455	142,394	175,365		15,304
Extracurricular Activities	237,253	82,855			(154,398)
Capital Outlay	41,154				(41,154)
Debt Service:					
Interest and Fiscal Charges	489,029				(489,029)
Totals	<u>\$ 6,832,367</u>	<u>\$ 413,818</u>	<u>\$ 674,110</u>	<u>\$ 4,838</u>	<u>(5,739,601)</u>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	1,488,875
Property Taxes, Levied for Capital Outlay	112,567
Property Taxes, Levied for Debt Service	555,337
Income Taxes	699,975
Grants and Entitlements not Restricted to Specific Programs	2,703,591
Investment Earnings	124,810
Miscellaneous	78,294
Total General Revenues	<u>5,763,449</u>
Change in Net Assets	23,848
Net Assets Beginning of Year	3,872,013
Net Assets End of Year	<u>\$ 3,895,861</u>

See Accompanying Notes and Accountants' Report to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2007**

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,503,760	\$ 269,511	\$ 297,300	\$ 2,070,571
Materials and Supplies Inventory	178,594		38,299	216,893
Accrued Interest Receivable	4,424			4,424
Intergovernmental Receivable			8,407	8,407
Taxes Receivable	1,489,274	543,304	109,250	2,141,828
Income Taxes Receivable	305,713			305,713
Total Assets	3,481,765	812,815	453,256	4,747,836
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 10,449		\$ 1,909	\$ 12,358
Accrued Wages and Benefits	389,520		17,460	406,980
Intergovernmental Payable	114,419		7,426	121,845
Matured Compensated Absences Payable	61,511			61,511
Deferred Revenue	1,445,846	\$ 520,337	102,691	2,068,874
	2,021,745	520,337	129,486	2,671,568
Fund Balances				
Reserved:				
Reserved for Encumbrances	84,812		5,839	90,651
Reserved for Inventory	178,594		38,299	216,893
Reserved for Property Taxes	94,608	22,967	6,559	124,134
Unreserved, Undesignated, Reported in:				
General Fund	1,102,006			1,102,006
Special Revenue Funds			60,406	60,406
Debt Service Funds		269,511		269,511
Capital Projects Funds			212,667	212,667
Total Fund Balances	1,460,020	292,478	323,770	2,076,268
Total Liabilities and Fund Balances	\$ 3,481,765	\$ 812,815	\$ 453,256	\$ 4,747,836

See Accompanying Notes and Accountants' Report to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007**

Total Governmental Fund Balances	\$	2,076,268
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds.		10,895,456
Property Tax and Income Tax Receivable are not available to pay for current period expenditures; therefore, they are deferred in the funds.		136,992
Some liabilities are not due and payable in the current period; therefore, they are not reported in the funds:		
General Obligation Bonds and Notes Payable	\$	(8,895,602)
Compensated Absences Payable		<u>(317,253)</u>
		(9,212,855)
Net Assets of Governmental Activities	\$	<u><u>3,895,861</u></u>

See Accompanying Notes and Accountants' Report to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,498,180	\$ 557,087	\$ 113,105	\$ 2,168,372
Income Tax	701,694			701,694
Intergovernmental	2,753,009	128,738	500,792	3,382,539
Interest	106,194	13,811	4,805	124,810
Tuition and Fees	170,177		18,392	188,569
Extracurricular Activities			82,855	82,855
Customer Sales and Services			142,394	142,394
Miscellaneous	66,674		11,620	78,294
Total Revenues	<u>5,295,928</u>	<u>699,636</u>	<u>873,963</u>	<u>6,869,527</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,322,109		56,890	2,378,999
Special	288,346		130,411	418,757
Vocational	133,974			133,974
Other	326,055			326,055
Support Services:				
Pupils	142,271		116,133	258,404
Instructional Staff	298,436		6,670	305,106
Board of Education	44,420			44,420
Administration	455,327		2,000	457,327
Fiscal	237,130	13,300	2,826	253,256
Operation and Maintenance of Plant	569,086		1,458	570,544
Pupil Transportation	201,679		8,740	210,419
Central	21,534		12,987	34,521
Operation of Non-Instructional Services			294,337	294,337
Extracurricular Activities	164,626		72,627	237,253
Capital Outlay	1,005		9,387	10,392
Debt Service:				
Principal		245,000		245,000
Interest		355,383		355,383
Total Expenditures	<u>5,205,998</u>	<u>613,683</u>	<u>714,466</u>	<u>6,534,147</u>
Excess of Revenues Over Expenditures	<u>89,930</u>	<u>85,953</u>	<u>159,497</u>	<u>335,380</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In		5,000	1,500	6,500
Transfers Out	(6,500)			(6,500)
Total Other Financing Sources and Uses	<u>(6,500)</u>	<u>5,000</u>	<u>1,500</u>	<u>(6,500)</u>
Net Change in Fund Balances	83,430	90,953	160,997	335,380
Fund Balance at Beginning of Year	1,376,590	201,525	162,773	1,740,888
Fund Balance at End of Year	<u>\$ 1,460,020</u>	<u>\$ 292,478</u>	<u>\$ 323,770</u>	<u>\$ 2,076,268</u>

See Accompanying Notes and Accountants' Report to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ 335,380

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

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

Capital Outlay - Depreciable Capital Assets	\$ 72,465	
Depreciation	<u>(518,183)</u>	(445,718)

The book value of the capital assets is removed from the capital asset account on the statement of net assets when disposed resulted in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(860)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Income Taxes	(1,719)	
Delinquent Property Taxes	<u>(11,593)</u>	(13,312)

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

245,000

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

(133,646)

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

Compensated Absences Payable		<u>37,004</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>23,848</u></u>
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See Accompanying Notes and Accountants' Report to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,439,526	\$ 1,439,526	\$ 1,504,102	\$ 64,576
Income Tax	655,800	655,800	673,744	17,944
Intergovernmental	2,654,725	2,668,925	2,753,009	84,084
Interest	75,000	75,000	106,435	31,435
Tuition and Fees	132,500	132,500	170,177	37,677
Miscellaneous	96,102	96,102	66,276	(29,826)
Total Revenues	<u>5,053,653</u>	<u>5,067,853</u>	<u>5,273,743</u>	<u>205,890</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,333,528	2,367,999	2,309,458	58,541
Special	189,590	319,890	295,370	24,520
Vocational	112,673	151,573	141,594	9,979
Other	253,275	334,975	325,971	9,004
Support Services:				
Pupils	142,209	154,559	146,404	8,155
Instructional Staff	385,698	421,698	268,196	153,502
Board of Education	41,575	59,250	50,936	8,314
Administration	425,614	448,070	445,243	2,827
Fiscal	235,602	247,902	237,057	10,845
Operation and Maintenance of Plant	588,341	626,392	592,188	34,204
Pupil Transportation	211,100	273,800	230,769	43,031
Central	30,000	30,000	21,534	8,466
Extracurricular Activities	166,585	24,349	163,563	(139,214)
Capital Outlay		1,006	1,005	1
Total Expenditures	<u>5,115,790</u>	<u>5,461,463</u>	<u>5,229,288</u>	<u>232,175</u>
Excess of Revenues Over (Under) Expenditures	<u>(62,137)</u>	<u>(393,610)</u>	<u>44,455</u>	<u>438,065</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures			398	398
Advances In	10,000	10,000	10,000	
Transfers Out	(1,322,609)	(752,936)	(6,500)	746,436
Advances Out	(10,000)	(10,000)	(10,000)	
Total Other Financing Uses	<u>(1,322,609)</u>	<u>(752,936)</u>	<u>(6,102)</u>	<u>746,834</u>
Net Change in Fund Balances	<u>(1,384,746)</u>	<u>(1,146,546)</u>	<u>38,353</u>	<u>1,184,899</u>
Fund Balance at Beginning of Year	1,320,522	1,320,522	1,320,522	
Prior Year Encumbrances Appropriated	50,028	50,028	50,028	
Fund Balance (Deficit) at End of Year	<u>\$ (14,196)</u>	<u>\$ 224,004</u>	<u>\$ 1,408,903</u>	<u>\$ 1,184,899</u>

See Accompanying Notes and Accountants' Report to the Basic Financial Statements

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>29,493</u>
Total Assets	<u>29,493</u>
Liabilities	
Current Liabilities:	
Undistributed Monies	<u>29,493</u>
Total Liabilities	\$ <u><u>29,493</u></u>

See Accompanying Notes and Accountants' Report to the Basic Financial State

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Edgerton Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Edgerton Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's three instructional/support facilities staffed by 25 non-certified and 48 certified full-time teaching personnel who provide services to 639 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Bond Retirement Fund are the District's major governmental funds:

General Fund - The General fund is used to account for all financial resources, except those required to be accounted for in another fund. The General fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

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

During fiscal year 2007, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. 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, 2007.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2007 amounted to \$106,194, which included \$17,788 from other funds.

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

G. Inventory

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

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$500 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

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

K. Net Assets

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

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

L. Fund Balance Reserves

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

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

M. Interfund Assets/Liabilities

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Estimates

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

O. Pass-Through Grants

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

3. ACCOUNTING CHANGES

The District omitted from its financial statements certain capital assets related to buildings and building improvements and furniture, fixtures, and equipment. The effect of this change on net assets at July 1, 2006, was as follows:

Net Assets, as previously reported, June 30, 2006	\$3,505,441
Increase in Net Assets	<u>366,572</u>
Net Assets, as restated at July 1, 2006	<u><u>\$3,872,013</u></u>

4. ACCOUNTABILITY

The Auxiliary Service fund had a deficit fund balance of \$886 at June 30, 2007. This fund balance complied with Ohio state law which does not permit a cash basis deficit fund balance at year-end. The General fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presented for the General fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

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

Net Change in Fund Balance Major Governmental Funds	
	General
GAAP Basis	\$83,430
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	331,778
Accrued FY 2007, Not Yet Received in Cash	(353,565)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(325,738)
Accrued FY 2006, Not Yet Paid in Cash	397,305
Encumbrances Outstanding at Year End (Budget Basis)	(94,857)
Budget Basis	\$38,353

6. DEPOSITS AND INVESTMENTS

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

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEPOSITS AND INVESTMENTS – (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$525,316 of the District's bank balance of \$2,266,191 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2007, the District's only investment was \$26,217 in STAR Ohio.

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

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. PROPERTY TAXES – (Continued)

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Williams and Defiance counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2007 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2007, was \$94,608 in the General fund, \$22,967 in the Bond Retirement fund, and \$6,559 in the Permanent Improvement fund. The amount available as an advance at 30, 2006, was \$100,530 in the General fund, \$24,781 in the Bond Retirement fund, and \$7,021 in the Permanent Improvement fund.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$47,298,430	67%	\$51,635,590	70%
Industrial/Commercial	7,270,390	10%	9,455,060	13%
Public Utility	4,624,620	7%	4,326,960	6%
Tangible Personal	11,132,678	16%	7,999,185	11%
Total Assessed Value	<u>\$70,326,118</u>	<u>100%</u>	<u>\$73,416,795</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation	\$51.60		\$54.80	

8. INCOME TAX

In 1991, the voters of the Edgerton Local School District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2007, the District recorded income tax revenue of \$701,694 in the General Fund, of which \$305,713 is recorded as a receivable at June 30, 2007.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. RECEIVABLES

Receivables at June 30, 2007, consisted of property tax, income taxes, intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance at 06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/07</u>
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$176,328			\$176,328
Total Non-Depreciable Assets	<u>176,328</u>			<u>176,328</u>
Depreciable Capital Assets:				
Land Improvements	309,929			309,929
Building and Building Improvements	12,497,983			12,497,983
Furniture, Fixtures, and Equipment	2,341,119	\$72,465	(\$5,281)	2,408,303
Vehicles	818,341			818,341
Total Depreciable Capital Assets	<u>15,967,372</u>	<u>72,465</u>	<u>(5,281)</u>	<u>16,034,556</u>
Less Accumulated Depreciation:				
Land Improvements	(148,261)	(32,372)		(180,633)
Building and Building Improvements	(2,810,306)	(234,236)		(3,044,542)
Furniture, Fixtures, and Equipment	(1,300,162)	(194,763)	4,421	(1,490,504)
Vehicles	(542,937)	(56,812)		(599,749)
Total Accumulated Depreciation	<u>(4,801,666)</u>	<u>(518,183)</u>	<u>4,421</u>	<u>(5,315,428)</u>
Depreciable Capital Assets, Net	<u>11,165,706</u>	<u>(445,718)</u>	<u>(860)</u>	<u>10,719,128</u>
Governmental Activities Capital Assets, Net	<u>\$11,342,034</u>	<u>(\$445,718)</u>	<u>(\$860)</u>	<u>\$10,895,456</u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$406,653
Special	5,369
Vocational	6,268
Support Services:	
Instructional Staff	15,183
Administration	1,833
Fiscal	2,334
Operation and Maintenance of Plant	44,954
Non-Instructional Services	4,827
Capital Outlay	30,762
Total Depreciation Expense	\$518,183

11. 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 18). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED PENSION BENEFIT PLANS

A. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$93,387, \$96,027, and \$96,958 respectively; 68 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED PENSION BENEFIT PLANS – (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$324,073, \$366,780, and \$343,091 respectively; 86 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

13. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$24,929.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS has 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. This portion is based on years of service, Medicare eligibility, and retirement status.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. POSTEMPLOYMENT BENEFITS – (Continued)

After the allocation of basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$43,042.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available) were \$158,751,207. At June 30, 2006, SERS has net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

14. COMPENSATED ABSENCES

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

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS

During the year ended June 30, 2007, the following changes occurred in obligations reported in the Government-wide Financial Statements:

	Balance at 06/30/06	Additions	Deductions	Balance at 06/30/07	Due Within One Year
General Obligation Bonds	\$ 8,065,000			\$ 8,065,000	
General Obligation Capital					
Appreciation Bonds	930,924	\$ 133,646	\$ 240,000	824,570	\$ 211,644
EPA Asbestos Notes	11,032		5,000	6,032	5,000
Total Long-Term Bonds and Notes	9,006,956	133,646	245,000	8,895,602	216,644
Compensated Absences	354,257		37,004	317,253	
Total Long-Term Obligations	<u>\$ 9,361,213</u>	<u>\$ 133,646</u>	<u>\$ 282,004</u>	<u>\$ 9,212,855</u>	<u>\$ 216,644</u>

Debt outstanding at June 30, 2007, consisted of an Asbestos Abatement Note totaling \$6,032 and School Improvement Bonds totaling \$8,889,570 (the note was free of interest and the interest rates for the school improvement bonds were 2 percent to 4.6 percent). The note was issued in June 1991 and will mature in November 2008. The school improvement bonds were issued in September 2002 and will mature December 2030.

School Improvement Bonds – 2002

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

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

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

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

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

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

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

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

Unless otherwise called for redemption, the remaining \$595,000 principal amount of the bonds due December 1, 2030, is to be paid at stated maturity.

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

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

The capital appreciation bonds were issued in the aggregate original principal amount of \$401,746 and mature on December 1, in the years, have the original amounts and mature with the accreted values at maturity, as follows:

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

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. LONG-TERM OBLIGATIONS – (Continued)

The value of the capital appreciation bonds reported at June 30, 2007, was \$824,570. The annual accretion of interest is based on the straight-line method. A total accreted interest of \$422,824 has been included in the value. The bonds are not subject to redemption prior to maturity. The bonds are being retired through the Bond Retirement fund.

Total expenditures for interest for the above debt for the period ended June 30, 2007, was \$355,383.

The scheduled payments of principal and interest on debt outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 216,644	\$ 384,560	\$ 601,204
2009	245,800	409,792	655,592
2010	193,650	431,732	625,382
2011	174,508	450,874	625,382
2012	270,000	351,882	621,882
2013-2017	1,500,000	1,610,092	3,110,092
2018-2022	1,810,000	1,288,643	3,098,643
2023-2027	2,255,000	842,823	3,097,823
2028-2031	2,230,000	256,750	2,486,750
Total	<u>\$ 8,895,602</u>	<u>\$ 6,027,148</u>	<u>\$ 14,922,750</u>

16. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Textbooks	Capital Acquisition	Totals
Set-Aside Cash Balance as of June 30, 2006	(\$413,484)		(\$413,484)
Current year Set-Aside Requirements	93,308	\$93,308	186,616
Current Year Offsets		(133,991)	(133,991)
Qualifying Disbursements	(88,588)		(88,588)
Total	<u>(\$408,764)</u>	<u>(\$40,683)</u>	<u>(\$449,447)</u>
Cash Balance Carried Forward to FY 2008	<u>(\$408,764)</u>		<u>(\$408,764)</u>

**EDGERTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. SET-ASIDE CALCULATIONS AND FUND RESERVES – (Continued)

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

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

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council (NBEC) and its participating members. Total disbursements made by the District to NBEC during fiscal year 2007 were \$44,479. Financial information can be obtained from Robin Pfund, 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 representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 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, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

D. Northwest Ohio Special Education Regional Resource Center

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

E. Northwest Ohio Regional Professional Development Center

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning. The Center is governed by a fifteen member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2nd Floor, Toledo, Ohio 43602.

18. GROUP PURCHASING POOLS

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

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

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

In fiscal year 2007, the District contributed a total of \$595,506 for all four plans. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

18. GROUP PURCHASING POOLS – (Continued)

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three-member board of directors consisting of two assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee of \$700 to the WCGRP to cover the costs of administering the program.

19. INTERFUND TRANSFERS

During the year ended June 30, 2007, the General fund transferred \$5,000 to the Bond Retirement fund, which is a major fund and \$1,500 to Public School Support fund which is an Other Non-major Governmental funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

20. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

B. Litigation

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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

We noted a certain matter that we reported to the District's management in a separate letter dated February 4, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the District's management in a separate letter dated February 4, 2008.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 4, 2008



Mary Taylor, CPA
Auditor of State

EDGERTON LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**