



Dave Yost • Auditor of State



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	11
Statement of Activities – Cash Basis .....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances - Governmental Funds – Cash Basis .....	13
Statement of Receipts, Disbursements, and Changes In Fund Balance - Governmental Funds – Cash Basis.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budgetary Basis – General Fund .....	15
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds – Cash Basis.....	16
Notes to the Basic Financial Statements .....	17
Schedule of Federal Awards Receipts and Expenditures.....	37
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	38
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	39
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i> .....	41
Schedule of Findings.....	45
Corrective Action Plan.....	49
Schedule of Prior Audit Findings.....	50
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	51

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion and Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 6, 2014

**THIS PAGE INTENTIONALLY LEFT BLANK.**



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The discussion and analysis of the Edgerton School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. 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 2013 are as follows:

In total, net position decreased \$1,051,910.

General receipts accounted for \$6,059,461, or 83 percent of all receipts. Program specific receipts in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,217,535, or 17 percent of total receipts of \$7,276,996.

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

The General fund had \$5,659,884 in receipts and other financing sources and \$5,587,260 in disbursements. The General fund's balance increased \$72,624 from the prior fiscal year.

The Bond Retirement fund had \$705,565 in receipts and other financing sources and \$698,599 in disbursements and other financing uses. The Bond Retirement fund's balance increased \$6,966 from the prior fiscal year.

The Classroom Facilities fund had \$24,242 in receipts and other financing sources and \$431,529 in disbursements and other financing uses. The Classroom Facilities fund's balance decreased \$407,287 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 position and the statement of activities, both reported on the cash basis, provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

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

For the District, the General fund is the most significant fund. The General fund, the Bond Retirement fund, and the Classroom Facilities fund are the District's three major funds.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

**Statement of Net Position and Statement of Activities**

The statement of net position and the statement of activities, both reported on the cash basis, reflects how the District did financially during fiscal year 2013. These statements are reported on the cash basis of accounting, which reflects receipts and disbursements when cash is received or paid.

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

In the cash basis statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities, which includes all of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

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

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

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012.

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

	<u>2013</u>	<u>2012</u>
<b><u>Assets:</u></b>		
Current and Other Assets	<u>\$2,120,583</u>	<u>\$3,172,493</u>
<b><u>Net Position:</u></b>		
Restricted for Debt Service	731,007	724,041
Restricted for Capital Outlay	572,308	1,501,667
Restricted for Other Purposes	79,412	281,553
Unrestricted	<u>737,856</u>	<u>665,232</u>
Total	<u>\$2,120,583</u>	<u>\$3,172,493</u>

As mentioned previously, net position of governmental activities decreased \$1,051,910 or 33% during 2013. The primary reasons attributing to the decrease in net position was Ohio School Facilities Commission (OSFC) construction cost for the new Pre-K – 8 school building which mainly occurred in 2012.

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

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

	<u>2013</u>	<u>2012</u>
<b><u>Receipts:</u></b>		
Program Receipts:		
Charges for Services and Sales	\$487,882	\$456,805
Operating Grants, Contributions and Interest	705,441	262,686
Capital Grants and Contributions	24,212	16,758
Total Program Receipts	<u>1,217,535</u>	<u>736,249</u>
General Receipts:		
Property Taxes	2,044,655	2,070,582
Income Taxes	715,701	720,674
Grants and Entitlements	3,060,603	3,081,120
Investment Earnings	7,575	16,991
Miscellaneous	76,645	74,630
Bonds Issued		8,105,549
Premium on Bonds Issued		515,187
Proceeds from Sale of Capital Assets	15,000	90,000
Refund of Prior Year Expenditures	139,282	23,829
Total General Receipts	<u>6,059,461</u>	<u>14,698,562</u>
Total Receipts	<u>7,276,966</u>	<u>15,434,811</u>

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

<b><u>Disbursements:</u></b>		
Instruction	3,793,691	3,539,449
Support Services:		
Pupils	233,452	250,378
Instructional Staff	112,515	372,782
Board of Education	49,173	43,435
Administration	457,315	506,904
Fiscal	270,608	277,015
Business	2,000	4,973
Operation and Maintenance of Plant	647,889	676,189
Pupil Transportation	228,721	257,607
Central	199,439	86,115
Non-Instructional	348,374	304,660
Extracurricular Activities	272,886	288,363
Capital Outlay	1,024,494	2,021,311
Principal	485,000	270,000
Interest and Fiscal Charges	202,184	220,217
Payment to Refunded Bond Escrow Agent		7,844,493
Bond Issuance Costs		169,102
Refund of Prior Year Receipts	1,165	482
Total Disbursements	<u>8,328,906</u>	<u>17,133,475</u>
Decrease in Net Position	<u>(\$1,051,910)</u>	<u>(\$1,698,664)</u>

Program receipts account for 17 percent of total receipts and are represented by restricted intergovernmental receipts, tuition, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 46 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 7 percent of governmental disbursements. Maintenance of the District's facilities, capital outlay, and debt service related payments also represents a significant disbursement of 8, 12, and 8 percent. The remaining 19 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

**Governmental Activities**

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Net Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>	<b>Net Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>
Instruction	\$3,793,691	\$3,035,035	\$3,539,449	\$3,250,791
Support Services:				
Pupils	233,452	233,452	250,378	250,378
Instructional Staff	112,515	108,354	372,782	368,591
Board of Education	49,173	49,173	43,435	43,435
Administration	457,315	457,315	506,904	506,904
Fiscal	270,608	270,608	277,015	277,015
Business	2,000	2,000	4,973	4,973
Operation and Maintenance of Plant	647,889	647,889	676,189	676,189
Pupil Transportation	228,721	228,721	257,607	257,607
Central	199,439	194,039	86,115	80,715
Non-Instructional	348,374	27,089	304,660	(13,882)
Extracurricular Activities	272,886	169,065	288,363	185,663
Capital Outlay	1,024,494	1,000,282	2,021,311	2,004,553
Debt Service -Principal	485,000	485,000	270,000	270,000
Debt Service-Interest and Fiscal Charges	202,184	202,184	220,217	220,217
Payment to Refunded Bond Escrow Agent			7,844,493	7,844,493
Bond Issuance Costs			169,102	169,102
Refund of Prior Year Receipts	1,165	1,165	482	482
<b>Total Disbursements</b>	<b>\$8,328,906</b>	<b>\$7,111,371</b>	<b>\$17,133,475</b>	<b>\$16,397,226</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 85 percent. The remaining 15 percent are derived from charges for services, operating grants and contributions, and capital grants and contributions.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds were the General fund, the Bond Retirement fund, and the Classroom Facilities fund. Total governmental funds had receipts and other financing sources of \$7,551,480 and disbursements and other financing uses of \$8,603,390. The net negative change of \$1,051,910 in fund balance was primarily attributed to construction costs for the new Pre- K-8 school building which concluded in 2013. A majority of the Ohio School Facilities Commission (OSFC) grant monies were received in prior fiscal years.

The net change in the balance in the General Fund reflects an increase of \$72,624 (11%). This was primarily due to an overall decrease in disbursements (10 percent) from the fiscal year 2012. The net change in fund balance in the Bond Retirement Fund reflects an increase of \$6,966 (less than one percent). Taxes and intergovernmental revenues exceeded the debt service payments and administration costs on the high school. The net change in fund balance in the Classroom Facilities fund reflects a decrease of \$407,287 (57 percent) due to capital outlay disbursement on the new Pre-K – 8 school building.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
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 2013, the District amended its General fund budget as needed.

Actual receipts and other financing sources exceeded final budget receipts and other financing sources by \$32,017 (less than 1 percent). There was a \$345,890 variance (7 percent) between original and final estimated resources. Additional estimated receipts were added for advances repaid and refund of prior year expenditures.

Original and final budgeted disbursements and other financing uses varied by less than 1 percent. Final disbursements and other financing uses were budgeted at \$5,929,863 while actual disbursements and other financing uses were \$5,687,276. The \$242,587 (4 percent) difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected disbursements arise during the fiscal year.

**Debt Administration**

At June 30, 2013, the District had \$7,966,743 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-eight year period, with final maturity on December 1, 2030. The bonds and notes are being retired through the Bond Retirement fund.

At June 30, 2013, the District's overall legal debt margin was (\$1,372,728), with an un-voted debt margin of \$72,531.

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

**Current Issues**

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

The District is currently operating in the second year of the state biennium budget. 45 percent of District revenue sources are from local funds, 40 percent is from state funds and the remaining 15 percent is from federal funds. The total expenditure per pupil was calculated at \$9,350.

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

**Contacting the District's Financial Management**

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

EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,120,583</u>
<b>Net Position:</b>	
Restricted for Debt Service	731,007
Restricted for Capital Outlay	572,308
Restricted for Other Purposes	79,412
Unrestricted	<u>737,856</u>
<i>Total Net Position</i>	\$ <u>2,120,583</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

		Program Revenues			Net (Disbursements) Receipts and Changes in Net Position
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 2,784,761	\$ 255,975	\$ 70,086	\$ (2,458,700)	
Special	697,458		413,733	(283,725)	
Vocational	6,697		18,862	12,165	
Other	304,775			(304,775)	
Support Services:					
Pupils	233,452			(233,452)	
Instructional Staff	112,515		4,161	(108,354)	
Board of Education	49,173			(49,173)	
Administration	457,315			(457,315)	
Fiscal	270,608			(270,608)	
Business	2,000			(2,000)	
Operation and Maintenance of Plant	647,889			(647,889)	
Pupil Transportation	228,721			(228,721)	
Central	199,439		5,400	(194,039)	
Operation of Non-Instructional Services	348,374	128,086	193,199	(27,089)	
Extracurricular Activities	272,886	103,821		(169,065)	
Capital Outlay	1,024,494			(1,000,282)	
			24,212		
Debt Service:					
Principal	485,000			(485,000)	
Interest and Fiscal Charges	202,184			(202,184)	
Refund of Prior Year Receipts	1,165			(1,165)	
<b>Totals</b>	<b>\$ 8,328,906</b>	<b>\$ 487,882</b>	<b>\$ 705,441</b>	<b>\$ 24,212</b>	
				<b>(7,111,371)</b>	
<b>General Receipts:</b>					
Taxes:					
Levied for General Purposes				1,379,934	
Levied for Capital Outlay				126,482	
Levied for Debt Service				503,042	
Levied for Other Purposes				35,197	
Income Taxes				715,701	
Grants and Entitlements not Restricted to Specific Programs				3,060,603	
Investment Earnings				7,575	
Miscellaneous				76,645	
Proceeds from Sale of Capital Assets				15,000	
Refund of Prior Year Expenditures				139,282	
Total General Receipts				6,059,461	
Change in Net Position				(1,051,910)	
Net Position Beginning of Year				3,172,493	
Net Position End of Year				\$ 2,120,583	

See Accompanying Notes to the Basic Financial Statements



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Classroom Facilities Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ <u>737,856</u>	\$ <u>731,007</u>	\$ <u>312,739</u>	\$ <u>338,981</u>	\$ <u>2,120,583</u>
<b>Fund Balances:</b>					
Restricted	\$	\$ 731,007	\$ 312,739	\$ 138,163	\$ 1,181,909
Committed				200,818	200,818
Assigned	124,475				124,475
Unassigned	613,381				613,381
<i>Total Fund Balances</i>	\$ <u>737,856</u>	\$ <u>731,007</u>	\$ <u>312,739</u>	\$ <u>338,981</u>	\$ <u>2,120,583</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property and Other Local Taxes	\$ 1,379,934	\$ 503,042		\$ 161,679	\$ 2,044,655
Income Tax	715,701				715,701
Intergovernmental	2,890,730	149,382	24,212	725,932	3,790,256
Interest	7,533			42	7,575
Tuition and Fees	255,975				255,975
Extracurricular Activities				103,821	103,821
Customer Sales and Services				128,086	128,086
Miscellaneous	76,645				76,645
<i>Total Receipts</i>	<u>5,326,518</u>	<u>652,424</u>	<u>24,212</u>	<u>1,119,560</u>	<u>7,122,714</u>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular	2,679,564			105,197	2,784,761
Special	303,677			393,781	697,458
Vocational	6,697				6,697
Other	304,775				304,775
Support Services:					
Pupils	233,452				233,452
Instructional Staff	108,118			4,397	112,515
Board of Education	49,173				49,173
Administration	457,315				457,315
Fiscal	256,862	10,408		3,338	270,608
Business	2,000				2,000
Operation and Maintenance of Plant	592,105			55,784	647,889
Pupil Transportation	218,719			10,002	228,721
Central	194,039			5,400	199,439
Operation of Non-Instructional Services	46			348,328	348,374
Extracurricular Activities	180,718			92,168	272,886
Capital Outlay			404,211	620,283	1,024,494
Debt Service:					
Principal		485,000			485,000
Interest		202,184			202,184
<i>Total Disbursements</i>	<u>5,587,260</u>	<u>697,592</u>	<u>404,211</u>	<u>1,638,678</u>	<u>8,327,741</u>
Excess of Disbursements Over Receipts	<u>(260,742)</u>	<u>(45,168)</u>	<u>(379,999)</u>	<u>(519,118)</u>	<u>(1,205,027)</u>
<b>Other Financing Sources and (Uses):</b>					
Transfers In		53,141		27,205	80,346
Advances In	194,138				194,138
Proceeds from Sale of Capital Assets				15,000	15,000
Refund of Prior Year Expenditures	139,228		30	24	139,282
Transfers Out			(27,205)	(53,141)	(80,346)
Advances Out				(194,138)	(194,138)
Refund of Prior Year Receipts		(1,007)	(113)	(45)	(1,165)
<i>Total Other Financing Sources and (Uses)</i>	<u>333,366</u>	<u>52,134</u>	<u>(27,288)</u>	<u>(205,095)</u>	<u>153,117</u>
<i>Net Change in Fund Balances</i>	<u>72,624</u>	<u>6,966</u>	<u>(407,287)</u>	<u>(724,213)</u>	<u>(1,051,910)</u>
Fund Balances at Beginning of Year	665,232	724,041	720,026	1,063,194	3,172,493
<i>Fund Balances at End of Year</i>	<u>\$ 737,856</u>	<u>\$ 731,007</u>	<u>\$ 312,739</u>	<u>\$ 338,981</u>	<u>\$ 2,120,583</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
AND CHANGES IN FUND BALANCES - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 1,345,439	\$ 1,375,945	\$ 1,379,934	\$ 3,989
Income Tax	720,674	715,674	715,701	27
Intergovernmental	2,891,225	2,855,207	2,890,730	35,523
Interest	7,130	10,130	7,533	(2,597)
Tuition and Fees	220,145	248,547	244,526	(4,021)
Miscellaneous	51,945	71,945	71,279	(666)
<i>Total Receipts</i>	5,236,558	5,277,448	5,309,703	32,255
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	2,610,483	2,793,884	2,651,176	142,708
Special	415,100	415,100	303,677	111,423
Vocational	14,905	19,905	10,066	9,839
Other	323,320	323,320	304,775	18,545
Support Services:				
Pupils	131,004	131,118	233,452	(102,334)
Instructional Staff	482,717	229,731	110,052	119,679
Board of Education	51,354	51,354	52,348	(994)
Administration	471,083	471,037	465,529	5,508
Fiscal	255,882	265,882	263,233	2,649
Business	2,000	2,000	2,000	
Operation and Maintenance of Plant	638,832	638,785	641,831	(3,046)
Pupil Transportation	275,999	275,812	262,030	13,782
Central	68,213	122,833	194,039	(71,206)
Operation of Non-Instructional Services	46			
Extracurricular Activities	171,532	170,842	181,068	(10,226)
Capital Outlay	5,937	5,937		5,937
<i>Total Disbursements</i>	5,918,407	5,917,540	5,675,276	242,264
<i>Excess of Disbursements Over Receipts</i>	(681,849)	(640,092)	(365,573)	274,519
<b>Other Financing Sources and (Uses):</b>				
Transfers In	3,726	3,726		(3,726)
Advances In	17,504	192,504	194,138	1,634
Refund of Prior Year Expenditures	7,359	137,359	139,213	1,854
Transfers Out	(3,000)	(12,000)	(12,000)	
Advances Out	(138)	(138)		138
Refund of Prior Year Receipts	(185)	(185)		185
<i>Total Other Financing Sources and (Uses)</i>	25,266	321,266	321,351	85
<i>Net Change in Fund Balance</i>	(656,583)	(318,826)	(44,222)	274,604
Fund Balance at Beginning of Year	541,610	541,610	541,610	
Prior Year Encumbrances Appropriated	114,973	114,973	114,973	
<i>Fund Balance at End of Year</i>	\$ 337,757	\$ 337,757	\$ 612,361	\$ 274,604

See Accompanying Notes to the Basic Financial Statements

EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Agency Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>38,093</u>
<b>Liabilities:</b>	
Held on Behalf of Students	\$ <u>38,093</u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

Edgerton Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Edgerton Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional/support facility staffed by 29 non-certified and 48 certified full-time teaching personnel who provide services to 656 students and other community members.

**A. Primary Government**

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

**B. Component Units**

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

**C. Jointly Governed Organizations and Purchasing Pools**

The District is associated with seven organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, the Northern Buckeye Health Plan, Northwest Division of Optimal Health Initiatives (OH) Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 to the basic financial statements.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report more detailed information about the District. The focus of governmental financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate non-major funds in a single column. Fiduciary funds are reported by type.

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

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

**B. Fund Accounting**

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1. Governmental Funds:**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General fund, the Bond Retirement fund, and the Classroom Facilities fund are the District's major governmental funds:

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

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

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

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

**2. Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Budgetary Process**

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

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

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

The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

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

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

**E. Cash, Cash Equivalents and Investments**

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



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

During fiscal year 2013, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$7,533, which includes \$4,444 assigned from other District funds.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Interfund Receivables/Payable**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements

**I. Compensated Absences**

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

**J. Employer Contributions to Cost-Sharing Pension Plans**

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Long-term Obligations**

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

**L. Interfund Transactions**

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

**M. Net Position**

Net position 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 position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. There were no amounts restricted by enabling legislation.

**N. Fund Balance**

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

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

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

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

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

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

<u>Fund Cash Balance</u>	
	General Fund
Cash Basis	\$737,856
Funds Budgeted Elsewhere	(7,021)
Adjustment for Encumbrances	<u>(118,474)</u>
Budget Basis	<u><u>\$612,361</u></u>

As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds which are legally budgeted in separate special revenue funds (uniform school supplies and public school support funds) are considered part of the General fund on the cash basis.

**4. DEPOSITS AND INVESTMENTS**

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

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. 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. Payment for investments may be made only upon delivery of the securities, representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. DEPOSITS AND INVESTMENTS - (Continued)**

At year end, the District had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**Investments**

As of June 30, 2013, the District's only investment was \$1,002 in STAR Ohio.

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

**5. LONG TERM OBLIGATIONS**

Changes in long-term obligations of the District during fiscal year 2013 were as follows:

	<b>Balance at 06/30/12</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at 06/30/13</b>	<b>Amounts Due In One Year</b>
General Obligation Bonds, Series 2002	\$280,000		\$280,000		
General Obligation Refunding Bonds, Series 2012A	7,425,000		165,000	\$7,260,000	\$365,000
Capital Appreciation Bonds	85,549	\$66,194		151,743	
Limited Tax General Obligation Energy Conservation Bonds, Series 2012B	595,000		40,000	555,000	35,000
<b>Total Long-Term Obligations</b>	<b>\$8,385,549</b>	<b>\$66,194</b>	<b>\$485,000</b>	<b>\$7,966,743</b>	<b>\$400,000</b>

Debt outstanding at June 30, 2013 consisted of General Obligations Refunding Bonds and Energy Conservation Bonds. The refunding bonds totaling \$7,345,549 (the interest rates for the refunding bonds were 2 percent to 3.0 percent). The refunding bonds were issued in March 2012 and will mature November 2030. The Energy Conservation Bonds totaled \$555,000. The interest rates for the energy conservation bonds were 1.0 percent to 3.0 percent. The energy conservation bonds were issued in March 2012 and will mature November 2026.

**General Obligation Refunding Bonds, Series 2012A**

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

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

The bonds were issued on March 14, 2012. The bond issue included current interest serial and term and capital appreciation bonds in the amount of \$7,425,000 and \$85,549. The bonds will retire with a voted property tax levy from the Bond Retirement fund.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**5. LONG TERM OBLIGATIONS - (Continued)**

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

<b>Maturity Date (November 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2013	\$365,000	2.00%
2014	375,000	2.00%
2015	380,000	2.00%
2016	385,000	1.50%
2017	390,000	2.00%
2019	295,000	2.00%
2020	405,000	2.00%
2021	415,000	2.25%
2022	420,000	2.50%
2023	430,000	2.50%
2024	445,000	3.00%
2025	455,000	3.00%
2026	470,000	3.00%
2027	485,000	3.00%
2028	500,000	3.00%
2029	515,000	3.00%
2030	530,000	3.00%

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

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

Total accreted interest of \$409,451 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity. The value of the capital appreciation bonds reported at June 30, 2013 was \$151,743. The annual accretion of interest is based on the straight-line method. The accreted interest at June 30, 2013 was \$66,194. The bonds are being retired through the Bond Retirement fund.

**Limited Tax General Obligation Energy Conservation Bonds, Series 2012B**

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

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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**5. LONG TERM OBLIGATIONS - (Continued)**

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

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

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

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

<b>Maturity Date (November 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2022	\$40,000	3%
2023	40,000	3%
2024	45,000	3%
2025	45,000	3%

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

Total expenditures for interest for the above debt for the period ended June 30, 2013 was \$202,184

The scheduled payments of principal and interest on debt outstanding at June 30, 2013 are as follows:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$400,000	\$190,138	\$590,138
2015	410,000	182,388	592,387
2016	415,000	174,488	589,487
2017	420,000	167,450	587,450
2018	430,000	160,213	590,213
2019 - 2023	1,886,743	1,290,188	3,176,931
2024 - 2028	2,460,000	416,825	2,876,825
2029 - 2031	1,545,000	70,425	1,615,425
Total	<u>\$7,966,743</u>	<u>\$2,652,113</u>	<u>\$10,618,856</u>

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2013 represents the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Williams and Defiance counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes are based are as follows:

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$60,080,610	81%	\$60,848,430	84%
Industrial/Commercial	10,430,530	14%	8,201,560	11%
Public Utility	3,580,900	5%	3,481,360	5%
Total Assessed Value	<u>\$74,092,040</u>	<u>100%</u>	<u>\$72,531,350</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$48.80		\$47.00	

**7. INCOME TAX**

In 1991, the voters of the District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2013, the District recorded income tax revenue of \$715,701 in the General fund.

**8. RISK MANAGEMENT**

**A. Comprehensive**

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



**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**8. RISK MANAGEMENT – (Continued)**

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

**B. Employee Insurance Benefits Program**

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of OHI, a self-insurance pool, for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

**C. Workers' Compensation Group Program**

The District participates in the Northern Buckeye Health Plan, Northern Division of OHI (NBHP) Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. 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. The Executive Director of the NBHP coordinates the management and administration of the program.

**9. DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

Plan Description - The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate amount four of the SERS' funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ended June 30, 2013, the allocation of pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$131,688 \$121,505 and \$99,528 respectively. For fiscal year 2013, 97 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**9. DEFINED BENEFIT PENSION PLAN - (Continued)**

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$337,186, \$323,345, and \$320,632 respectively. For fiscal year 2013, 84 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages for employers and employees.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount. For fiscal year 2013, the minimum compensation level was established at \$20,525. The District's SERS surcharge amount for 2013 was \$13,068.

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

The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$14,676, \$17,427, and \$23,439 respectively. For fiscal year 2013, 61 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$7,439, \$7,176 and \$6,405, respectively. For fiscal year 2013, 97 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS - (Continued)**

employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$25,937, \$24,873, and \$24,664, respectively. For fiscal year 2013, 84 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**11. COMPENSATED ABSENCES**

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

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

**12. STATUTORY RESERVES**

The District is required by State statute to annually set aside in the General fund an amount based on a statutory formula for the 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 capital acquisition. Disclosure of this information is required by State statute.

	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2012	
Current Year Set-aside Requirement	\$106,650
Current Year Offsets	(\$106,650)
Total	<u>-</u>
Cash Balance Carried Forward to FY 2014	<u>-</u>

**13. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

participating members. Total disbursements made by the District to NBEC during the fiscal year were \$126,251. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. The District made no payments to the Four County Career Center. To obtain financial information write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**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

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

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, 2<sup>nd</sup> Floor, Toledo, Ohio 43602.

**14. GROUP PURCHASING POOLS**

**A. Employee Insurance Benefits Program**

The District participates in a group health insurance pool through the Optimal Health Initiative Consortium (OHI) Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities throughout the state. The Pool is governed by OHI and its participating members. The District contributed a total of \$693,973 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Hwy., Suite 304E, Cincinnati, OH 45242.

**B. Workers' Compensation Group Rating Plan**

The District participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Ohio Health Initiatives (OHI) Workers' Compensation Group Rating Plan (WCGRP) was established through the Ohio Health Initiatives (OHI) as a group purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. The Optimal Health Initiatives has created a workers' compensation group rating and risk management program which will potentially reduce the workers' compensation premiums for the District.

Optimal Health Initiatives has retained Sheakley UniService as the servicing agent to perform administrative, actuarial, cost control, claims, and safety consulting services and unemployment claims services for program participants. During this fiscal year, the District paid an enrollment fee of \$614 to WCGRP to cover the costs of administering the program.

**15. INTERFUND BALANCES**

During the year ended June 30, 2013, the General fund transferred \$9,000 to the Uniform School Supply Fund and \$3,000 to the Public School Support fund. The transfers were made to subsidize the funds to cover current year expenditures. The transfers are not included on the financial statements due to GASB 54 reporting. The Permanent Improvement fund transferred \$53,141 to the Bond Retirement fund to cover debt payments for the Energy Improvement Bonds. The Classroom Facilities fund transferred \$27,205 to the Building fund to cover the local portion of the building expenses.

**16. INTERFUND ADVANCES**

During the year ended June 30, 2013, the following advances were repaid to the General fund, \$3,600 from the Education Jobs Grant, \$136,832 from the Special Education, Part-B-IDEA Grant, \$878 from the Title II-D Grant, \$34,392 from the Title I Grant, and \$18,436 from the Improving Teacher Quality Grant funds.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**17. FUND BALANCE**

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

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

<b>Fund Balance</b>	<b>General</b>	<b>Bond Retirement</b>	<b>Classroom Facilities</b>	<b>Other Governmental</b>	<b>Total Governmental Funds</b>
Restricted For:					
Athletics				\$30,092	\$30,092
Food Service Operations				53,345	53,345
Facilities Maintenance				14,893	14,893
Special Instruction				(18,918)	(18,918)
Debt Retirement Building		\$731,007			731,007
Construction			\$312,739	58,751	371,490
<b>Total Restricted</b>		<b>731,007</b>	<b>312,739</b>	<b>138,163</b>	<b>1,181,909</b>
Committed For:					
Permanent Improvement				200,818	200,818
Assigned For:					
Educational Activities	\$7,021				7,021
Unpaid Obligations (encumbrances)	117,454				117,454
<b>Total Assigned</b>	<b>124,475</b>				<b>124,475</b>
Unassigned	613,381				613,381
<b>Total Fund Balance</b>	<b>\$737,856</b>	<b>\$731,007</b>	<b>\$312,739</b>	<b>\$338,981</b>	<b>\$2,120,583</b>

**18. CONTINGENCIES**

**A. Litigation**

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

**B. Federal and State Grants**

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**19. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2013, the District implemented Governmental Accounting Standard Board (GASB) Statements No. 62 and 63. GASB No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.



EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$15,385	\$15,385
National School Lunch Program			
Cash Assistance	10.555	107,949	107,949
Non- Cash Assistance (Food Distribution)		17,496	18,331
Total National School Lunch Program		<u>125,445</u>	<u>126,280</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>140,830</u></b>	<b><u>141,665</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	271,773	271,773
Special Education Preschool Grants	84.173	4,160	4,160
Total Special Education Grants to States		<u>275,933</u>	<u>275,933</u>
Title II-D Technology Grant	84.318	878	
Education Jobs Fund	84.410	3,600	
Title I Grants to Local Educational Agencies	84.010	137,481	122,008
Improving Teacher Quality State Grants	84.367	36,547	18,111
Limited English Proficiency Grant	84.365	307	307
<b>Direct Assistance</b>			
Rural Education	84.358	<u>33,303</u>	<u>33,303</u>
<b>Total U.S. Department of Education</b>		<b><u>488,049</u></b>	<b><u>449,662</u></b>
<b>Institute of Museum and Library Services</b>			
<i>Passed Through The State Library of Ohio:</i>			
Grants to States	45.310	<u>236</u>	<u>236</u>
<b>Total Federal Awards Receipts and Expenditures</b>		<b><u>\$629,115</u></b>	<b><u>\$591,563</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

The District passes certain federal awards received from Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amount passed through to subrecipients was \$4,467.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edgerton Local School District, Williams County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-002 described in the accompanying schedule of findings and questioned costs to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

February 6, 2014



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited Edgerton Local School District, Williams County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Basis for Qualified Opinion on the Nutrition Cluster***

As described in finding 2013-004 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs and Cost Principles applicable to its Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

### ***Qualified Opinion on Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Nutrition Cluster* paragraph, Edgerton Local School District, Williams County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Nutrition Cluster Program* for the year ended June 30, 2013.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2013-003. This finding does not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

### ***Report on Internal Control Over Compliance***

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

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

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

accompanying schedule of findings and questioned costs as items 2013-003 and 2013-004 to be material weaknesses.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 6, 2014

**THIS PAGE INTENTIONALLY LEFT BLANK.**



EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Modified – Nutrition Cluster Unmodified – Special Education Cluster
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<b>Nutrition Cluster: –</b> School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555 <b>Special Education Cluster:</b> Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2013-001**

**Noncompliance Citation**

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

**Ohio Administrative Code § 117-2-03(B)** which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District. As such, we recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

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

**FINDING NUMBER 2013-002**

**Material Weakness**

**Budgetary Reporting**

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

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

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

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

The *actual amounts* are the amounts the District received or spent, based on what the Board legally authorized or approved the District to spend.

The District did not properly report original budgeted amounts or actual amounts on its budgetary statement.

Net budgetary adjustments to original budgeted amounts and actual amounts were recorded to the District's budgetary statement in amounts ranging from \$7,093 to \$708,811.

We recommend original budgeted amounts and actual amounts be presented on the budgetary statement in accordance with Board approved amounts and actual amounts received and expended by the District.

**Officials' Response:**

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

<b>Finding Number</b>	2013-003
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies – CFDA # 84.010
<b>Federal Award Number/Year</b>	2013
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance / Questioned Costs / Material Weakness**

**Allowable Costs and Cost Principles**

**2 CFR Part 225 (formerly Office of Management and Budget (OMB) Circular A-87)** defines the allowable cost criteria for Federal expenditures. **2 CFR Part 225, Appendix B, Subsection 8(g)** provides a District may disburse Federal revenues for the payment of severance as indirect costs only after the District has received approval of an indirect cost rate plan (ICRP) from the Ohio Department of Education.

An ICRP is a schedule documenting the formulation of the District's indirect cost rate and direct cost base and request for the establishment of an indirect cost methodology with the Ohio Department of Education. The District cannot request an advancement of Federal funds for indirect cost until the Ohio Department of Education assigns methodology on the District's ICRP and enters into an indirect cost rate agreement with the District. The indirect cost rate agreement expires annually. The District must use the most current approved rate for each fiscal year.

In 2013, the District charged the Title I grant \$18,023 of an indirect severance payment for a retiring certified teacher. The District did not submit an indirect cost rate plan, nor did it obtain an indirect cost rate agreement with the Ohio Department of Education allowing this severance payment to be charged to the Title I grant. This indirect severance payment would not qualify as an allowable cost to the Title I grant. Therefore, this expenditure of \$18,023 is considered a questioned cost.

In order to ensure severance payments qualify as allowable costs to the Title I grant, we recommend the District prepare and submit an indirect cost rate plan for any severance payments and obtain an indirect cost rate agreement with the Ohio Department of Education prior to charging severance to the Title I grant.

**Officials' Response:**

The District will establish procedures to ensure severance payments are properly allocated to federal programs.

<b>Finding Number</b>	2013-004
<b>CFDA Title and Number</b>	Nutrition Cluster – CFDA # 10.553 and 10.555
<b>Federal Award Number/Year</b>	2013
<b>Federal Agency</b>	United States Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Agriculture

**Noncompliance / Questioned Cost / Material Weakness**

**Allowable Costs and Cost Principles**

**2 CFR Part 225, Appendix B, Subsection 8(h)(4)** provides where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in Subsection 8(h)(4). Documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

In 2013, portions of payroll costs (wages, benefits, and payroll taxes) in the total amount of \$11,103 for a cook and custodian were charged to the District's Child Nutrition Cluster grant. There were no personnel activity reports or equivalent documentation available to support the allocation. Therefore, the payroll costs would not qualify as an allowable cost to the Child Nutrition Cluster grant.

The District should establish specific procedures by which each employee working on multiple activities or multiple Federal programs will complete personnel activity reports or equivalent documentations (i.e., time and effort logs or time sheets) on a timely basis. The personnel activity reports should document the date and hours worked on the Child Nutrition Cluster grant and include credible signatures by the employee and respective supervisor.

**Officials' Response:**

The District will establish procedures to ensure employees working on multiple federal award or cost objectives complete semi-annual certifications.

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315C  
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated / Completion Date	Responsible Contact Person
2013-003	Management will consult with the Ohio Department of Education to resolve this issue.	FY 2014	Kerry Samples, CFO/Treasurer
2013-004	Management will consult with the Ohio Department of Education to resolve this issue.	FY 2014	Kerry Samples, CFO/Treasurer

**EDGERTON LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (B) – For not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2013-001 in this report.
2012-002	Material Weakness for budget to actual statements not being properly presented in accordance with Board approved amounts.	No	Not Corrected. Reissued as finding 2013-002 in this report.
2012-003	Material Weakness in Financial Reporting - Debt refinancing expenses were not properly posted.	Yes	



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Edgerton Local School District, Williams County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on June 25, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 6, 2014

One Government Center, Suite 1420, Toledo, Ohio 43604-2246  
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

[www.ohioauditor.gov](http://www.ohioauditor.gov)

**This page intentionally left blank.**





# Dave Yost • Auditor of State

**EDGERTON LOCAL SCHOOL DISTRICT**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 25, 2014**