



Dave Yost • Auditor of State

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY
JUNE 30, 2017**

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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 cash-basis 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, 2017, 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 such 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, 2017, 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

May 2, 2018

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,891,331</u>
Net Position:	
Restricted for Debt Service	\$ 860,322
Restricted for Capital Outlay	284,309
Restricted for Other Purposes	68,392
Unrestricted	<u>3,678,308</u>
<i>Total Net Position</i>	\$ <u>4,891,331</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, 2017**

		Program Revenues			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions		Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 3,083,818	\$ 297,604	\$ 79,146	\$	(2,707,068)
Special	658,772	48,196	491,395		(119,181)
Vocational	23,119		18,008		(5,111)
Other	19,875				(19,875)
Support Services:					
Pupils	399,924				(399,924)
Instructional Staff	187,032				(187,032)
Board of Education	47,469				(47,469)
Administration	492,133	30,280			(461,853)
Fiscal	295,995				(295,995)
Business	3,000				(3,000)
Operation and Maintenance of Plant	727,007				(727,007)
Pupil Transportation	362,590				(362,590)
Central	126,084		3,600		(122,484)
Operation of Non-Instructional Services	380,144	120,995	172,023		(87,126)
Extracurricular Activities	312,451	113,796			(198,655)
Capital Outlay	123,734				(123,734)
Debt Service:					
Principal	420,000				(420,000)
Interest and Fiscal Charges	167,450				(167,450)
Totals	\$ 7,830,597	\$ 610,871	\$ 764,172	\$	(6,455,554)
General Receipts:					
Property Taxes:					
Levied for General Purposes					1,684,904
Levied for Capital Outlay					197,203
Levied for Debt Service					418,070
Income Taxes					821,740
Grants and Entitlements not Restricted to Specific Programs					4,091,266
Investment Earnings					17,607
Miscellaneous					79,454
Proceeds from Sale of Capital Assets					15,000
Refund of Prior Year Expenditures					8,696
Total General Receipts					7,333,940
Change in Net Position					878,386
Net Position Beginning of Year					4,012,945
Net Position End of Year				\$	4,891,331

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,678,308	\$ 860,322	\$ 352,701	\$ 4,891,331
Fund Balances				
Restricted		\$ 860,322	\$ 214,343	\$ 1,074,665
Committed			145,886	145,886
Assigned	\$ 185,969			185,969
Unassigned (Deficit)	3,492,339		(7,528)	3,484,811
<i>Total Fund Balances</i>	<u>\$ 3,678,308</u>	<u>\$ 860,322</u>	<u>\$ 352,701</u>	<u>\$ 4,891,331</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, 2017**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$ 1,684,904	\$ 418,070	\$ 197,203	\$ 2,300,177
Income Tax	821,740			821,740
Intergovernmental	4,132,297	132,395	590,728	4,855,420
Interest	17,607		18	17,625
Tuition and Fees	345,800			345,800
Extracurricular Activities			113,326	113,326
Customer Sales and Services	30,280		120,995	151,275
Miscellaneous	74,954		4,970	79,924
<i>Total Receipts</i>	7,107,582	550,465	1,027,240	8,685,287
Disbursements:				
Current:				
Instruction:				
Regular	2,973,802		110,016	3,083,818
Special	378,588		280,184	658,772
Vocational	23,119			23,119
Other	19,875			19,875
Support Services:				
Pupils	399,655		269	399,924
Instructional Staff	187,032			187,032
Board of Education	47,469			47,469
Administration	484,785		7,348	492,133
Fiscal	283,841	8,258	3,896	295,995
Business	3,000			3,000
Operation and Maintenance of Plant	689,109		37,898	727,007
Pupil Transportation	224,419		138,171	362,590
Central	121,311		4,773	126,084
Operation of Non-Instructional Services	40,566		339,578	380,144
Extracurricular Activities	189,014		123,437	312,451
Capital Outlay			123,734	123,734
Debt Service:				
Principal		420,000		420,000
Interest		167,450		167,450
<i>Total Disbursements</i>	6,065,585	595,708	1,169,304	7,830,597
Excess of Receipts Over (Under) Disbursements	1,041,997	(45,243)	(142,064)	854,690
Other Financing Sources and Uses:				
Transfers In		57,885	37,192	95,077
Proceeds from Sale of Capital Assets			15,000	15,000
Refund of Prior Year Expenditures	8,656		40	8,696
Transfers Out	(17,437)		(77,640)	(95,077)
<i>Total Other Financing Sources and Uses</i>	(8,781)	57,885	(25,408)	23,696
<i>Net Change in Fund Balances</i>	1,033,216	12,642	(167,472)	878,386
<i>Fund Balances at Beginning of Year</i>	2,645,092	847,680	520,173	4,012,945
<i>Fund Balances at End of Year</i>	\$ 3,678,308	\$ 860,322	\$ 352,701	\$ 4,891,331

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,631,410	\$ 1,631,410	\$ 1,684,904	\$ 53,494
Income Tax	819,913	819,913	821,740	1,827
Intergovernmental	4,205,693	4,205,703	4,132,297	(73,406)
Interest	7,514	7,514	17,607	10,093
Tuition and Fees	294,840	294,840	345,800	50,960
Customer Sales and Services	27,666	27,666	30,280	2,614
Miscellaneous	77,163	79,863	74,735	(5,128)
<i>Total Receipts</i>	<u>7,064,199</u>	<u>7,066,909</u>	<u>7,107,363</u>	<u>40,454</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,110,563	3,112,963	2,951,527	161,436
Special	415,459	415,459	378,922	36,537
Vocational	24,000	24,000	23,119	881
Other	34,000	34,000	19,875	14,125
Support Services:				
Pupils	405,860	405,860	404,742	1,118
Instructional Staff	204,212	204,212	194,079	10,133
Board of Education	76,764	76,764	49,931	26,833
Administration	730,311	730,311	485,354	244,957
Fiscal	288,844	288,844	287,544	1,300
Business	3,500	3,500	3,000	500
Operation and Maintenance of Plant	804,689	804,689	758,102	46,587
Pupil Transportation	322,956	322,956	274,583	48,373
Central	212,006	212,006	127,344	84,662
Operation of Non-Instructional Services	43,945	43,945	40,621	3,324
Extracurricular Activities	204,301	204,301	189,460	14,841
<i>Total Disbursements</i>	<u>6,881,410</u>	<u>6,883,810</u>	<u>6,188,203</u>	<u>695,607</u>
Excess of Receipts Over Disbursements	<u>182,789</u>	<u>183,099</u>	<u>919,160</u>	<u>736,061</u>
Other Financing Sources and Uses:				
Refund of Prior Year Expenditures	7,233	7,233	8,656	1,423
Transfers Out	(17,000)	(17,000)	(20,437)	(3,437)
Advances Out	(20,000)	(20,000)		20,000
<i>Total Other Financing Sources and Uses</i>	<u>(29,767)</u>	<u>(29,767)</u>	<u>(11,781)</u>	<u>17,986</u>
<i>Net Change in Fund Balance</i>	153,022	153,332	907,379	754,047
Fund Balance at Beginning of Year	2,477,185	2,477,185	2,477,185	
Prior Year Encumbrances Appropriated	141,007	141,007	141,007	
<i>Fund Balance at End of Year</i>	<u>\$ 2,771,214</u>	<u>\$ 2,771,524</u>	<u>\$ 3,525,571</u>	<u>\$ 754,047</u>

See Accompanying Notes to the Basic Financial Statements

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CASH BASIS - FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u><u>36,182</u></u>
Liabilities	
Undistributed Monies	\$ <u><u>36,182</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 34 non-certified and 47 certified full-time teaching personnel who provide services to 652 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 six organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Northwest Ohio Special Education Regional Resource 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, 2017
(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 nonmajor 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, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (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 and the Bond Retirement fund are the District's major governmental funds:

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

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

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, 2017
(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, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash, Cash Equivalents and Investments (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 2017, the District invested in federal securities, commercial paper, a money market fund and STAR Ohio. Investments are reported at cost, except for the money market and STAR Ohio. The District's money market fund investment is recorded at amount reported by Red Tree investment Services at June 30, 2017.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption rates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$17,607, which includes \$8,980 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 are not reflected as assets and liabilities in the accompanying financial statements. Interfund balances are eliminated in the statement of net position.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Pension

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

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

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

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 Statement of Receipts, Disbursements and Changes in Fund Balance – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed, or assigned fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

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

Fund Cash Balance	General Fund
Cash Basis	\$3,678,308
Funds Reclassified for Reporting Purposes	3,169
Adjustment for Encumbrances	(155,906)
Budget Basis	\$3,525,571

**EDGERTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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 notes and banker's acceptances for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits

At June 30, 2017, the carrying amount of all District deposits was \$2,213,636. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$1,960,994 of the District's bank balance of \$2,282,078 was protected by eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment. The remaining \$321,084 was insured by the Federal Deposit Insurance Corporation.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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, 2017, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities</u>				
	<u>Balance at Cost</u>	<u>Less than One Year</u>	<u>One to Two Years</u>	<u>Two to Three Years</u>	<u>Three to Five Years</u>
Federal National Mortgage Association (FNMA) Bonds	\$299,925			\$149,925	\$150,000
Federal Home Loan Bank (FHLB) Bonds	482,241	\$182,781		149,460	150,000
Federal Home Loan Mortgage Association (FHLMA) Notes	299,270		\$149,948	149,322	
Commercial Paper	1,024,555	1,024,555			
Money Market Mutual Funds	3,145	3,145			
Federal Farm Credit Bank (FFCB) Notes	150,000				150,000
Star Ohio	454,541	454,541			
Total Investments	\$2,713,677	\$1,665,022	\$149,948	\$448,707	\$450,000

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 270 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk – The following investments carry the highest ratings by Moody's and Standard and Poor's.

<u>Investment Type</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
FHLB Bonds	Aaa	AAA
FHLMA Notes	Aaa	AAA
FNMA Notes	Aaa	AAA
Commercial Paper	P1	A-1+
FFCB Notes	Aaa	AAA
Money Market Mutual Fund	Aaa	AAAm
Star Ohio		AAAm

The District's investment policy authorizes the Treasurer to invest to a maximum of forty percent of the District's interim funds in commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business or general or limited partnership which has assets exceeding \$500,000,000. Such notes must be rated at the time of purchase in the highest classification established by at least two rating services, have an aggregate value that does not exceed ten percent of the outstanding commercial paper of the issuing entity and mature within 270 days after purchase. 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 fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association (FMNA) Bonds, Federal Home Loan Bank (FHLB) Bonds, Federal Home Loan Mortgage (FHLMA) Notes, Federal Farm Credit (FFCB) Notes, and Commercial Paper are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the CFO/Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investments in the Federal National Mortgage Association (FMNA) Bonds, Federal Home Loan Bank (FHLB) Bonds, Federal Home Loan Mortgage Association (FHLMA) Notes, Commercial Paper and the Federal Farm Credit Bank (FFCB) Notes represents 11 percent, 17 percent, 11 percent, 37 percent and 6 percent, respectively of the of the District's total investments.

**EDGERTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net position as of June 30, 2017:

<u>Cash per footnote</u>	
Carrying Amount of Deposits	\$2,213,636
Investments	2,713,677
Cash on Hand	200
Total	\$4,927,513
 <u>Cash per Statement of Net Position</u>	
Governmental Activities	\$4,891,331
Agency funds	36,182
Total	\$4,927,513

5. LONG TERM OBLIGATIONS

Changes in long-term obligations of the District during fiscal year 2017 were as follows:

	Balance at 06/30/16	Increase	Decrease	Balance at 06/30/17	Amounts Due In One Year
General Obligation Refunding Bonds, Series 2012A	\$6,140,000		\$385,000	\$5,755,000	\$390,000
Capital Appreciation Bonds	350,325	\$66,194		416,519	
Limited Tax General Obligation Energy Conservation Bonds Series 2012 B	450,000		35,000	415,000	40,000
Total Long-Term Obligations	\$6,940,325	\$66,194	\$420,000	\$6,586,519	\$430,000

Debt outstanding at June 30, 2017 consisted of General Obligations Refunding Bonds and Energy Conservation Bonds. The refunding bonds totaling \$5,755,000 (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 \$415,000. 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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:

Maturity Date (November 1)	Principal Amount	Interest Rate
2017	\$390,000	2.00%
2019	295,000	2.00%
2020	405,000	2.00%
2021	415,000	2.25%
2022	420,000	2.50%
2023	430,000	2.50%
2024	445,000	3.00%
2025	455,000	3.00%
2026	470,000	3.00%
2027	485,000	3.00%
2028	500,000	3.00%
2029	515,000	3.00%
2030	530,000	3.00%

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

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

Capital Appreciation Bonds are not subject to redemption prior to maturity. The value of the capital appreciation bonds reported at June 30, 2017 was \$416,519. The annual accretion of interest is based on the straight-line method. The accreted interest at June 30, 2017 was \$330,970. 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, 2017
(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:

Maturity Date (November 1)	Principal Amount	Interest Rate
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%

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:

Maturity Date (November 1)	Principal Amount	Interest Rate
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, 2017 was \$167,450.

The scheduled payments of principal and interest on debt outstanding at June 30, 2017 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2018	\$430,000	\$160,212	\$590,212
2019	381,091	209,646	590,737
2020	410,428	176,709	587,137
2021	445,000	144,388	589,388
2022	455,000	134,819	589,819
2023 – 2027	2,435,000	487,050	2,922,050
2028 – 2031	2,030,000	124,050	2,154,050
Total	<u>\$6,586,519</u>	<u>\$1,436,874</u>	<u>\$8,023,393</u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(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 in the District. Real property tax revenue received in calendar year 2017 represent the collection calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 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, 2017, are available to finance fiscal year 2017 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 2017 taxes are based are as follows:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$77,314,860	86%	\$77,679,710	86%
Industrial/Commercial	9,333,660	10%	9,110,230	10%
Public Utility	3,840,690	4%	3,927,660	4%
Total Assessed Value	<u>\$90,489,210</u>	<u>100%</u>	<u>\$90,717,660</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.30		\$45.30	

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, 2017, the District recorded income tax revenue of \$821,740 in the General fund.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

8. RISK MANAGEMENT

A. Comprehensive

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

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

B. Employee Insurance Benefits Program

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

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

**EDGERTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**EDGERTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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 among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was \$126,104 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

**EDGERTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2017, the employer rate was 14% and the member rate was 14% of covered payroll. The statutory employer rate for fiscal 2017 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates

The District's contractually required contribution to STRS was \$375,701 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0244530%	0.0236925%	
Current Measurement Date	<u>0.0263257%</u>	<u>0.0246464%</u>	
Change in Proportionate Share	<u>0.0018727%</u>	<u>0.0009540%</u>	
Proportionate Share of the Net Pension Liability	\$1,926,798	\$8,249,903	\$10,176,701

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. . A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$2,550,961	\$1,926,798	\$1,404,348

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

STRS Ohio's investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among assets classes and therefore is not a weighted average return on the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$10,963,451	\$8,249,903	\$5,960,866

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2017. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July, 1, 2017. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

9. DEFINED BENEFIT PENSION PLAN (Continued)

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, 2017, four members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

10. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$15,171.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$14,492 respectively; 0 percent has been contributed for fiscal year 2017 and 100 percent for fiscal years 2016 and 2015.

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.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio 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-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS Ohio allocated employer contributions equal to 0 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal years ended June 30, 2017, 2016, STRS Ohio did not allocate any employer contributions to post-employment health care.

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.

	Capital Acquisition
Set-aside Cash Balance as of June 30, 2016	
Current Year Set-aside Requirement	\$111,248
Current Year Offsets	<u>\$(111,248)</u>
Total	<u> </u>
Cash Balance Carried Forward to FY 2018	<u> </u>

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC during the fiscal year were \$88,658. 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, Connie Nicely, 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 developmental disabilities, 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.

**EDGERTON LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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 \$801,340 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, Ohio 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.

15. INTERFUND BALANCES

During the fiscal year ending June 30, 2017, the General fund transferred \$1,995 to the District Managed Student Activity to subsidize the funds to cover current year expenditures and \$15,442 to the Bond Retirement fund as a correction of a prior audit error. The Permanent Improvement fund transferred \$35,197 to the Classroom Maintenance fund to cover maintenance expenses, \$39,125 to the Bond Retirement fund to cover expenses for Energy Improvement Bonds and \$3,318 to the Bond Retirement fund as a correction of a prior audit error.

16. INTERFUND ADVANCES

During the year ended June 30, 2016, the General fund advanced \$50,000 to the Food Services fund. This advance is still outstanding and is expected to be repaid within one year.

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

17. 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

C. School Foundation

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017, foundation funding for the District, therefore, any financial statement impact is not determinable at this time.

18. 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:

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

18. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:				
Regular Instruction			\$12,358	\$12,358
Athletics			43,019	43,019
Food Service Operations			1,227	1,227
Facilities Maintenance			19,316	19,316
Debt Retirement		\$860,322		860,322
Building Construction			138,423	138,423
Total Restricted		860,322	214,343	1,074,665
Committed to:				
Permanent Improvement			145,886	145,886
Assigned for:				
Educational Activities	\$30,063			30,063
Unpaid Obligations (encumbrances)	155,906			155,906
Total Assigned	185,969			185,969
Unassigned (Deficit)	3,492,339		(7,528)	3,484,811
Total Fund Balances	<u>\$3,678,308</u>	<u>\$860,322</u>	<u>\$352,701</u>	<u>\$4,891,331</u>

19. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2017, Title I Title IIA, and Misc special revenue funds had deficit fund balances of \$5,226, \$310, and \$1,992, respectively, resulting from the funds being reimbursement grants. The General Fund provides transfers to cover deficit balances when cash is needed.

Compliance

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determine at this time. The District can be fined and various other administrative remedies may be taken against the District.

Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans", GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14" and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73".

**EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

19. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 21); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

20. TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The Village of Edgerton has entered into an agreement with a company for the abatement of property taxes to bring jobs and economic development into the area. The agreement affects the property tax receipts collected and distributed to the District. Under the agreement, the District property taxes were reduced by \$7,999 during fiscal year 2017. The District received \$2,400 in fiscal year 2016 as compensation for the forgone property taxes in 2017.



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 cash-basis 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 2, 2018, 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 opinion 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 as item 2017-001.

District's Response to Findings

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

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

May 2, 2018

EDGERTON LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2017

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 117.38 provides that 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 Admin. Code § 117-2-03(B) adds to the requirements of Ohio Rev. Code § 117.38 and requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

As a cost saving measure, management decided to prepare the District's 2017 financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting Board Statement No. 34. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. Variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot reasonably be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared and filed in accordance with generally accepted accounting principles.

Officials' Response:

Although management agrees with the finding, management believes that the preparation of the financial statement in other comprehensive basis of accounting – cash basis is in the best interest of the district and its residents. The additional cost of preparing generally accepted accounting principle statement would not gain much benefit to our current users of the financial statement. Therefore, management will continue to prepare the statement in a cash basis format – other comprehensive basis of accounting.



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Board of Education

Tom Flegal
Christina Herman
Nick Hug
Darwin Krill
Bob Siebenaler

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding first reported in 2008. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not reporting in accordance with generally accepted accounting principles.	Not corrected, reissued as finding 2017-001 in this report.	Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.
2016-002	Ohio Rev. Code § 5705.10 (D) – for Homestead and Rollback and personal property tax monies being posted to incorrect funds.	Corrective action taken and finding is fully corrected.	
2016-003	Material weakness due to approved estimated revenue not matching amounts posted to the accounting system	Corrective action taken and finding is fully corrected.	
2016-004	Finding first reported in 2015. Significant Deficiency due to overstatement of Restricted Net Position on the Statement of Net Positon.	Partially corrected, reported in the Management Letter.	Additional errors in net position were noted and not detected. Errors were significantly lower than previous years. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.



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
MAY 17, 2018**