



**Auditor of State
Betty Montgomery**

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Edon Northwest Local School District
Williams County
802 West Indiana Street
Edon, Ohio 43518-9627

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edon Northwest Local School District, Williams County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edon Northwest Local School District, Williams County, Ohio, as of June 30, 2005, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

March 1, 2006

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Edon Northwest Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets decreased \$2,038,341.
- General revenues accounted for \$5,278,817, or 83 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$1,117,273, or 17 percent of total revenues of \$6,396,090.
- The District's major funds included the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. The General Fund had \$5,043,991 in revenues and other financing sources and \$5,132,132 in expenditures. The General Fund's balance decreased \$88,141 from the prior fiscal year. The Bond Retirement Fund had \$390,302 in revenues and \$356,100 in expenditures. The Bond Retirement Fund's balance increased \$34,202 from the prior fiscal year. The Classroom Facilities Fund had \$40,717 in revenues and \$2,820,261 in expenditures. The Classroom Facilities Fund's balance decreased \$2,779,544 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.
- The District sold its old K-12 school buildings and personal property for \$102,689.

Using the Basic Financial Statements

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Fund are the only three major funds.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 1
Net Assets
Governmental Activities**

	<u>2005</u>	<u>2004</u>
<u>Assets:</u>		
Current and Other Assets	\$7,012,296	\$9,693,226
Capital Assets, Net	19,140,921	18,458,397
Total Assets	<u>26,153,217</u>	<u>28,151,623</u>
<u>Liabilities:</u>		
Current and Other Liabilities	2,523,852	2,339,853
Long-Term Liabilities	4,549,243	4,693,307
Total Liabilities	<u>7,073,095</u>	<u>7,033,160</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	15,045,921	14,228,397
Restricted	1,920,247	4,733,614
Unrestricted	2,113,954	2,156,452
Total	<u>\$19,080,122</u>	<u>\$21,118,463</u>

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004. The decrease in current assets was attributed to cash payments made on the construction of the new District school building. There was a net increase in capital assets due to the completion of the new school building and the loss on the sale of the old K-12 school buildings.

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

	<u>2005</u>	<u>2004</u>
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$647,962	\$517,836
Operating Grants, Contributions and Interest	469,311	455,933
Capital Grants and Contributions		14,575
Total Program Revenues	<u>1,117,273</u>	<u>988,344</u>
General Revenues:		
Property Taxes	1,826,384	1,644,925
Grants and Entitlements	3,167,867	3,247,596
Investment Earnings	119,246	135,813
Gifts and Donations	17,497	36,984
Miscellaneous	147,823	102,013
Total General Revenues	<u>5,278,817</u>	<u>5,167,331</u>
Total Revenues	<u>6,396,090</u>	<u>6,155,675</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

<u>Expenses:</u>		
Instruction	4,466,956	2,821,819
Support Services:		
Pupils	608,952	218,057
Instructional Staff	240,288	252,754
Board of Education	16,957	11,720
Administration	621,749	549,098
Fiscal	240,142	229,265
Business	45,993	10,556
Operation and Maintenance of Plant	949,136	502,667
Pupil Transportation	486,950	352,398
Central	55,979	198,832
Non-Instructional	181,236	282,249
Extracurricular Activities	308,315	216,100
Capital Outlay		61,104
Interest and Fiscal Charges	<u>211,778</u>	<u>216,160</u>
Total Expenses	<u>8,434,431</u>	<u>5,922,779</u>
Increase/(Decrease) in Net Assets	<u>(\$2,038,341)</u>	<u>\$232,896</u>

Program revenues increased primarily due to Charges for Services. Charges for Services increased in the Food Service fund and in the General fund under "tuition and fees." Total expenses increased 42% mainly due to noncapital expenses related to the construction of the new District school building as well as a loss on the sale of the old K-12 school buildings and personal property in the amount of \$1,799,157.

Governmental Activities

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Instruction	\$4,466,956	\$3,709,861	\$2,821,819	\$2,192,731
Support Services:				
Pupils	608,952	605,269	218,057	214,510
Instructional Staff	240,288	233,163	252,754	249,864
Board of Education	16,957	16,957	11,720	11,720
Administration	621,749	616,749	549,098	549,098
Fiscal	240,142	240,142	229,265	229,265
Business	45,993	45,993	10,556	10,556
Operation and Maintenance of Plant	949,136	948,353	502,667	502,667
Pupil Transportation	486,950	486,950	352,398	352,398
Central	55,979	46,979	198,832	189,832
Non-Instructional	181,236	(76,488)	282,249	140,536
Extracurricular Activities	308,315	231,452	216,100	153,147
Capital Outlay			61,104	(78,049)
Interest and Fiscal Charges	211,778	211,778	216,160	216,160
Total Expenses	<u>\$8,434,431</u>	<u>\$7,317,158</u>	<u>\$5,922,779</u>	<u>\$4,934,435</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 72 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 83 percent. The remaining 17 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. Total governmental funds had revenues and other financing sources of \$6,356,061 and expenditures and other financing uses of \$9,260,836.

The General Fund's net negative change in fund balance of \$88,141 was primarily attributed to increases in salaries and benefits in Support Services and an increase in Capital Outlay expenditures while revenues remained approximately the same. The Bond Retirement's net positive change of \$34,202 in fund balance was primarily attributed to an increase in property taxes while debt payment expenditures remained approximately the same. The Classroom Facilities Fund's net negative change of \$2,779,544 in fund balance was primarily attributed to expenditures for the construction of the District's new school building.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$8,047,591 while actual expenditures and other financing uses were \$5,139,858. The \$2,907,733 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$19,140,921 invested in capital assets (net of accumulated depreciation) for governmental activities.

As of June 30, 2005, the District still had \$113,069 in contractual commitments on its new K-12 educational facility.

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

Debt

At June 30, 2005, the District had \$4,095,000 in school improvement general obligation bonds for building improvements to the present school and the new school. The bonds were issued for a twenty-three year period, with final maturity on December 1, 2019 and December 1, 2024, respectively. The bonds are being retired through two individual Bond Retirement Funds.

At June 30, 2005, the District's overall legal debt margin was \$1,407,533, with an un-voted debt margin of \$61,139.

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

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Edon Northwest Area is a small rural community of 3,200 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the second year of the state biennium budget. 43 percent of District revenue sources is from local funds, 51 percent is from state funds, and the remaining 6 percent is from federal funds. The total expenditure per pupil was calculated at \$7,994.

In November 2005, the District renewed a five-year, three mill permanent improvement levy. This levy provides a source of revenue to handle permanent improvements for the District. This frees General Fund revenue to be used for the operation of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Laura Sauber, Treasurer, Edon Local School District, 802 W. Indiana Street, Edon, Ohio 43518-9627.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Net Assets
June 30, 2005**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	4,920,144
Cash and Cash Equivalents with Escrow Agents		249,534
Materials and Supplies Inventory		26,272
Accounts Receivable		6,332
Intergovernmental Receivable		44,972
Prepaid Items		10,433
Taxes Receivable		1,754,609
Non-Depreciable Capital Assets		248,018
Depreciable Capital Assets, net		18,892,903
Total Assets		<u>26,153,217</u>
 LIABILITIES:		
Accounts Payable		72,515
Accrued Wages and Benefits		486,969
Contracts Payable		9,645
Intergovernmental Payable		108,569
Matured Compensated Absences Payable		40,610
Retainage Payable		249,534
Deferred Revenue		1,556,010
Long-Term Liabilities:		
Due Within One Year		140,000
Due in More Than One Year		4,409,243
Total Liabilities		<u>7,073,095</u>
 NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		15,045,921
Restricted for Debt Service		408,526
Restricted for Capital Outlay		1,383,101
Restricted for Other Purposes		128,620
Unrestricted		2,113,954
Total Net Assets	\$	<u><u>19,080,122</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 3,674,550	\$ 397,479	\$ 100,257	\$ (3,176,814)
Special	534,721		259,359	(275,362)
Vocational	252,096			(252,096)
Adult/Continuing	417			(417)
Other	5,172			(5,172)
Support Services:				
Pupils	608,952		3,683	(605,269)
Instructional Staff	240,288		7,125	(233,163)
Board of Education	16,957			(16,957)
Administration	621,749		5,000	(616,749)
Fiscal	240,142			(240,142)
Business	45,993			(45,993)
Operation and Maintenance of Plant	949,136		783	(948,353)
Pupil Transportation	486,950			(486,950)
Central	55,979		9,000	(46,979)
Operation of Non-Instructional Services	181,236	173,620	84,104	76,488
Extracurricular Activities	308,315	76,863		(231,452)
Debt Service:				
Interest and Fiscal Charges	211,778			(211,778)
Totals	\$ 8,434,431	\$ 647,962	\$ 469,311	(7,317,158)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	\$ 1,338,577
Property Taxes, Levied for Capital Outlay	108,031
Property Taxes, Levied for Debt Service	351,704
Property Taxes, Levied for Other	28,072
Grants and Entitlements not Restricted to Specific Programs	3,167,867
Gifts and Donations	17,497
Investment Earnings	119,246
Miscellaneous	147,823
Total General Revenues	5,278,817
Change in Net Assets	(2,038,341)
Net Assets Beginning of Year	21,118,463
Net Assets End of Year	\$ 19,080,122

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2005**

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 3,001,311	\$ 387,056	\$ 1,323,206	\$ 208,571	\$ 4,920,144
Cash and Cash Equivalents with Escrow Agents			249,534		249,534
Materials and Supplies Inventory	14,416			11,856	26,272
Intergovernmental Receivable				44,972	44,972
Accounts Receivable	6,061			271	6,332
Prepaid Items	10,433				10,433
Taxes Receivable	1,275,809	344,545		134,255	1,754,609
Total Assets	\$ 4,308,030	\$ 731,601	\$ 1,572,740	\$ 399,925	\$ 7,012,296
Liabilities					
Accounts Payable	42,548		12,221	17,746	72,515
Accrued Wages and Benefits	437,268			49,701	486,969
Contracts Payable			9,645		9,645
Intergovernmental Payable	56,702			6,629	63,331
Matured Compensated Absences Payable	40,610				40,610
Retainage Payable			249,534		249,534
Deferred Revenue	1,164,014	329,386		129,755	1,623,155
	1,741,142	329,386	271,400	203,831	2,545,759
Fund Balances					
Reserved:					
Reserved for Encumbrances	93,812		56,873	13,763	164,448
Reserved for Inventory	14,416			11,856	26,272
Reserved for Prepaid Items	10,433				10,433
Reserved for Property Taxes	111,795	15,159		13,264	140,218
Unreserved, Undesignated, Reported in:					
General Fund	2,336,432				2,336,432
Special Revenue Funds				88,869	88,869
Debt Service Funds		387,056			387,056
Capital Projects Funds			1,244,467	68,342	1,312,809
Total Fund Balances	2,566,888	402,215	1,301,340	196,094	4,466,537
Total Liabilities and Fund Balances	\$ 4,308,030	\$ 731,601	\$ 1,572,740	\$ 399,925	\$ 7,012,296

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances	\$	4,466,537
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		19,140,921
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		67,145
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(45,238)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	\$	(4,095,000)
Compensated Absences Payable		(454,243)
		<u>(4,549,243)</u>
Net Assets of Governmental Activities	\$	<u><u>19,080,122</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 1,298,815	\$ 352,353		\$ 136,590	\$ 1,787,758
Intergovernmental	3,130,202	37,949		464,624	3,632,775
Interest	77,761		\$ 40,717	768	119,246
Tuition and Fees	374,475			12,909	387,384
Rent	160				160
Extracurricular Activities	2,587			81,834	84,421
Gifts and Donations	12,500			4,997	17,497
Customer Sales and Services	1,210			174,787	175,997
Miscellaneous	43,592			1,542	45,134
Total Revenues	<u>4,941,302</u>	<u>390,302</u>	<u>40,717</u>	<u>878,051</u>	<u>6,250,372</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,148,986		1,764	68,188	2,218,938
Special	274,712			210,637	485,349
Vocational	174,971		6,231	568	181,770
Adult/Continuing	417				417
Other	5,172				5,172
Support Services:					
Pupils	200,141		6,638	17,372	224,151
Instructional Staff	195,939			18,900	214,839
Board of Education	16,957				16,957
Administration	562,014			13,551	575,565
Fiscal	214,708	9,322	14	6,399	230,443
Business	26,955				26,955
Operation and Maintenance of Plant	623,000		27,398	118,347	768,745
Pupil Transportation	327,868			19,685	347,553
Central	44,501		1,983	9,495	55,979
Operation of Non-Instructional Services	9,062		122	268,008	277,192
Extracurricular Activities	149,891			77,053	226,944
Capital Outlay	153,838		2,776,111	124,140	3,054,089
Debt Service:					
Principal		135,000			135,000
Interest		211,778			211,778
Total Expenditures	<u>5,129,132</u>	<u>356,100</u>	<u>2,820,261</u>	<u>952,343</u>	<u>9,257,836</u>
Excess of Revenues Over (Under) Expenditures	<u>(187,830)</u>	<u>34,202</u>	<u>(2,779,544)</u>	<u>(74,292)</u>	<u>(3,007,464)</u>
OTHER FINANCING SOURCES AND USES:					
Proceeds from Sale of Fixed Assets	102,689				102,689
Transfers In				3,000	3,000
Transfers Out	(3,000)				(3,000)
Total Other Financing Sources and Uses	<u>99,689</u>			<u>3,000</u>	<u>102,689</u>
Net Change in Fund Balances	(88,141)	34,202	(2,779,544)	(71,292)	(2,904,775)
Fund Balance at Beginning of Year	2,655,029	368,013	4,080,884	267,386	7,371,312
Fund Balance at End of Year	<u>\$ 2,566,888</u>	<u>\$ 402,215</u>	<u>\$ 1,301,340</u>	<u>\$ 196,094</u>	<u>\$ 4,466,537</u>

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (2,904,775)

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

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

Capital Outlay - Depreciable Capital Assets	\$ 2,803,023	
Depreciation	<u>(321,342)</u>	
		2,481,681

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	38,626	
Delinquent Property Taxes	<u>4,403</u>	
		43,029

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 135,000

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(1,799,157)
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Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(3,183)	
Compensated Absences Payable	<u>9,064</u>	
		5,881

Change in Net Assets of Governmental Activities	\$	<u><u>(2,038,341)</u></u>
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See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual Comparison
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
REVENUES:				
Property and Other Local Taxes	\$ 1,099,678	\$ 1,099,678	\$ 1,268,832	\$ 169,154
Intergovernmental	3,116,407	3,103,186	3,130,202	27,016
Interest	79,000	79,000	77,761	(1,239)
Tuition and Fees	300,320	300,320	371,290	70,970
Rent	500	500	160	(340)
Extracurricular Activities	3,500	3,500	2,587	(913)
Gifts and Donations	2,800	2,800	12,500	9,700
Customer Sales and Services	1,800	1,800	1,210	(590)
Miscellaneous	29,900	29,900	31,240	1,340
Total Revenues	<u>4,633,905</u>	<u>4,620,684</u>	<u>4,895,782</u>	<u>275,098</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,479,414	2,452,527	2,098,808	353,719
Special	379,600	376,745	272,388	104,357
Vocational	191,374	188,616	175,255	13,361
Adult/Continuing	5,000	5,000	417	4,583
Other	80,000	80,000	5,172	74,828
Support Services:				
Pupils	275,000	275,000	198,124	76,876
Instructional Staff	300,500	251,212	196,565	54,647
Board of Education	24,000	24,000	17,322	6,678
Administration	822,050	896,727	546,473	350,254
Fiscal	253,037	253,037	213,533	39,504
Business	73,000	73,000	26,955	46,045
Operation and Maintenance of Plant	797,850	820,081	608,752	211,329
Pupil Transportation	487,806	485,805	337,404	148,401
Central	104,261	104,260	44,704	59,556
Operation of Non-Instructional Services	8,000	11,560	9,063	2,497
Extracurricular Activities	173,000	178,001	147,603	30,398
Capital Outlay	1,278,104	1,203,704	238,320	965,384
Total Expenditures	<u>7,731,996</u>	<u>7,679,275</u>	<u>5,136,858</u>	<u>2,542,417</u>
Excess of Expenditures Over Revenues	<u>(3,098,091)</u>	<u>(3,058,591)</u>	<u>(241,076)</u>	<u>2,817,515</u>
Other Financing Sources and Uses:				
Transfers In	100,180	100,180		(100,180)
Proceeds from Sale of Fixed Assets	315,000	315,000	102,689	(212,311)
Refund of Prior Year Expenditures	15,000	15,000	9,637	(5,363)
Transfers Out	(100,180)	(103,180)	(3,000)	100,180
Refund of Prior Year Receipts	(500)	(500)		500
Advances Out		(36,500)		36,500
Other Financing Uses	(228,136)	(228,136)		228,136
Total Other Financing Sources and Uses	<u>101,364</u>	<u>61,864</u>	<u>109,326</u>	<u>47,462</u>
Net Change in Fund Balance	(2,996,727)	(2,996,727)	(131,750)	2,864,977
Fund Balance at Beginning of Year	2,718,634	2,718,634	2,718,634	
Prior Year Encumbrances Appropriated	278,092	278,092	278,092	
Fund Balance (Deficit) at End of Year	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 2,864,976</u>	<u>\$ 2,864,977</u>

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	<u>Agency Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>22,309</u>
Total Assets	<u>22,309</u>
Liabilities	
Undistributed Monies	<u>22,309</u>
Total Liabilities	\$ <u><u>22,309</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Edon Northwest 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. Edon Northwest Local School District is a local school district as defined by §3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's instructional/support facility staffed by 29 non-certified and 48 certified full-time teaching personnel who provide services to 681 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of Agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the 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 primary level of budgetary control is at the function level within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

F. Cash and Investments

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

During fiscal year 2005, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$77,761 and \$12,896, which were assigned from other District funds.

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

G. Inventory

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

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

H. Capital Assets

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

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

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

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

I. Compensated Absences

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

L. Prepaid Items

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year for which services are consumed.

M. Fund Balance Reserves

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

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Interfund Assets/Liabilities

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

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

O. Estimates

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

P. Pass-Through Grants

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

3. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

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

Net Change in Fund Balance Major Governmental Fund	
GAAP Basis	(\$88,141)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	81,973
Accrued FY 2005, Not Yet Received in Cash	(127,493)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(423,670)
Accrued FY 2005, Not Yet Paid in Cash	561,916
Encumbrances Outstanding at Year End (Budget Basis)	(136,335)
Budget Basis	(\$131,750)

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.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and 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 only through eligible institutions.
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

Investments

As of June 30, 2005, the District had \$3,936,269 invested in STAR Ohio.

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Williams County. 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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2005, was \$111,795 in the General fund, \$15,159 in the Bond Retirement fund, \$9,474 in the Capital Improvement fund, and \$3,790 in the Classroom Maintenance fund. The amount available as an advance at June 30, 2004, was \$81,812 in the General fund, \$10,908 in the Bond Retirement fund, \$6,818 in the Capital Improvement fund, and \$2,727 in the Classroom Maintenance fund.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$44,306,440	78%	\$44,905,570	73%
Industrial/Commercial	4,491,320	8%	4,639,070	8%
Public Utility	2,744,420	5%	2,788,850	5%
Tangible Personal	5,430,190	9%	8,805,770	14%
Total Assessed Value	<u>\$56,972,370</u>	<u>100%</u>	<u>\$61,139,260</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$49.10		\$49.10	

6. RECEIVABLES

Receivables at June 30, 2005, consisted of property, accounts (rent and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Title VI-B	\$9,350
Title I	28,021
Drug Free Schools	656
Title II-A	6,451
Miscellaneous Federal	494
Total Intergovernmental Receivables	<u>\$44,972</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$255,910		(\$7,892)	\$248,018
Construction in Progress	15,709,624		(15,709,624)	
Total Nondepreciable Capital Assets	<u>15,965,534</u>		<u>(15,717,516)</u>	<u>248,018</u>
Depreciable Capital Assets				
Buildings and Building Improvements	3,134,177	17,960,367	(2,930,768)	18,163,776
Furniture, Fixtures, and Equipment	1,730,671	450,066	(677,002)	1,503,735
Vehicles	907,936	102,214	(16,799)	993,351
Total Depreciable Capital Assets	<u>5,772,784</u>	<u>18,512,647</u>	<u>(3,624,569)</u>	<u>20,660,862</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(1,729,247)	(27,385)	1,406,803	(349,829)
Furniture, Fixtures, and Equipment	(946,321)	(222,227)	409,702	(758,846)
Vehicles	(604,353)	(71,730)	16,799	(659,284)
Total Accumulated Depreciation	<u>(3,279,921)</u>	<u>(321,342)</u>	<u>1,833,304</u>	<u>(1,767,959)</u>
Depreciable Capital Assets, Net	<u>2,492,863</u>	<u>18,191,305</u>	<u>(1,791,265)</u>	<u>18,892,903</u>
Governmental Activities Capital Assets, Net	<u>\$18,458,397</u>	<u>\$18,191,305</u>	<u>(\$17,508,781)</u>	<u>\$19,140,921</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$122,998
Special	376
Vocational	4,560
Support Services:	
Pupil	7,941
Instructional Staff	22,012
Administration	2,128
Fiscal	235
Business	8,243
Operation and Maintenance of Plant	36,241
Pupil Transportation	61,670
Non-Instructional Services	22,108
Extracurricular	32,483
Total Depreciation Expense	<u>\$321,342</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. RISK MANAGEMENT

A. Employee Insurance Benefits Program

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

B. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

C. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured. 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's from last year.

9. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement benefits and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEFINED PENSION BENEFIT PLANS – (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$93,116, \$106,022, and \$96,741, respectively; 56 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contributions for fiscal year 2005 are \$47,719.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. Benefits are increased annually by 3% of the original base amount for DB plan participants. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan.

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEFINED PENSION BENEFIT PLANS – (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the lapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$338,359, \$630,018, and \$561,575, respectively; 86 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$49,675.

10. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. For the District, this amount was \$26,028. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. POSTEMPLOYMENT BENEFITS – (Continued)

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants currently receiving health care benefits is approximately 58,123.

For the District, the amount to fund post employment benefits including the surcharge, as of June 30, 2005, equaled \$41,391.

11. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Eleven employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to thirty percent of their accumulated sick leave balance, which cannot exceed 210 days. The maximum payout is 63 days.

12. LONG-TERM OBLIGATIONS

During the year ended June 30, 2005, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	Balance at 06/30/04	Increase	Decrease	Balance at 06/30/05	Amount Due In one Year
General Obligation Bonds:					
Serial – Series 1997, 4 - 5.1%	\$130,000		\$30,000	\$100,000	\$30,000
Term – Series 1997, 5.35 - 6%	700,000			700,000	
Serial – Series 2001, 3 - 4%	950,000		105,000	845,000	110,000
Term – Series 2001, 5.25 - 5.5%	2,450,000			2,450,000	
Compensated Absences	463,307		9,064	454,243	
Total Long-Term Obligations	<u>\$4,693,307</u>		<u>\$144,064</u>	<u>\$4,549,243</u>	<u>\$140,000</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. LONG-TERM OBLIGATIONS – (Continued)

Debt outstanding at June 30, 2005, consisted of general obligation school improvement bonds issued in 1997 and 2001.

The school improvement bonds issued in 1997 were used to finance the construction of an addition to the Edon building. The issue consists of both serial and term bonds. The serial bonds will mature in December 2007. The term bonds are subject to mandatory sinking fund redemption in part by lot and are redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100% of the principal amount redeemed, plus interest accrued to the redemption date, on the applicable mandatory redemption dates and in the principal amounts payable on those dates set forth in the Certificate of Award. The term bonds will be fully redeemed in December 2019.

The school improvement bonds issued in 2001 were used for the purpose of constructing, renovation, and improving existing school facilities and related site development. The issue consists of both serial and term bonds. The serial bonds will mature in December 2011. The term bonds are subject to mandatory sinking fund redemption in part by lot and are redeemed pursuant to mandatory sinking fund requirements at a redemption price of 100% of the principal amount redeemed, plus interest accrued to the redemption date, on the applicable mandatory redemption dates and in the principal amounts payable on those dates set forth in the Certificate of Award. The term bonds will be fully redeemed in December 2024.

Total expenditures for interest toward the school improvement bonds for the period ended June 30, 2005, was \$211,778.

The scheduled payments of principal and interest on debt outstanding at June 30, 2005 are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$140,000	\$207,098	\$347,098
2007	145,000	202,050	347,050
2008	150,000	196,482	346,482
2009	160,000	190,288	350,288
2010	165,000	183,427	348,427
2011-2015	965,000	787,879	1,752,879
2016-2020	1,250,000	482,400	1,732,400
2021-2025	1,120,000	153,575	1,273,575
Total	<u>\$4,095,000</u>	<u>\$2,403,199</u>	<u>\$6,498,199</u>

13. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2004	\$36,345	
Current Year Set-aside Requirement	96,810	\$96,810
Current Year Offsets		(132,871)
Qualifying Disbursements	(171,611)	
Total	(\$38,546)	(\$36,061)
Cash Balance Carried Forward to FY 2006	(\$38,546)	

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

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public 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 districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$37,032 for services received through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

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 districts; one representative from each of the exempted village districts; and one additional representative from Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center in fiscal year 2005. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village districts, five local districts, and five city districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

E. Cisco Academy of Northwest Ohio

The Cisco Academy of Northwest Ohio (the Academy) was established July 1, 1998 to foster cooperation toward joint training and other joint activities of mutual interest among certain educational entities located in Northwest Ohio. The Academy is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by representatives of the member educational entities. The Academy is governed by a management council consisting of a representative appointed from each participating member educational entity. The Northern Buckeye Education Council has been designated fiscal agent for the Academy. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

15. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 2005 were \$550,720. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. GROUP PURCHASING POOLS – (Continued)

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year ending June 30, 2005, the District paid an enrollment fee of \$593 to the WCGRP to cover the costs of administering the program.

16. SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

17. INTERFUND TRANSFERS

During the year ended June 30, 2005, the General Fund transferred \$3,000 to Other Non-major Governmental funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

18. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2005.

B. Litigation

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

19. CONTRACTUAL COMMITMENTS

As of June 30, 2005, the District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Fetters Construction	\$65,000
J-Tec	8,757
L.R. Babcock	31,283
Videoland	7,186
Richard Bowen & Associates	843
Total	<u>\$113,069</u>



Auditor of State Betty Montgomery

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

Edon Northwest Local School District
Williams County
802 West Indiana Street
Edon, Ohio 43518-9627

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edon Northwest Local School District, Williams County (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 1, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 1, 2006, we reported another matter related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Edon Northwest Local School District
Williams County
Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management and the Board of Education, It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 1, 2006



**Auditor of State
Betty Montgomery**

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800-282-0370

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EDON NORTHWEST LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2006**