



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDING JUNE 30, 2010**



**Dave Yost • Auditor of State**



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

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# Dave Yost • Auditor of State

## 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Edon Northwest Local School District, Williams County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2011, 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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Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 20, 2011

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010  
Unaudited**

The discussion and analysis of the financial performance of Edon Northwest Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

In total, net assets decreased \$246,846.

General revenues accounted for \$5,063,998, or 73 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,857,850, or 27 percent of total revenues of \$6,921,848.

The District's major funds included the General fund and the Bond Retirement fund. The General fund had \$5,125,975 in revenues and other financing sources and \$5,169,748 in expenditures and other financing uses. The General fund's balance decreased \$43,773 from the prior fiscal year. The Bond Retirement fund had \$382,545 in revenues and \$385,093 in expenditures. The Bond Retirement fund's balance decreased \$2,548 from the prior fiscal year.

The revenue generated from the Bond Retirement fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

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

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

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

For the District, the General fund is by far the most significant fund. The General fund and the Bond Retirement fund are the only two 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 2010. 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, 2010  
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, its governmental activities, which include all of its programs and services such as instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General fund and the Bond Retirement fund. 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 2010 compared to fiscal year 2009.



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)**

**Table 1  
Net Assets  
Governmental Activities**

	<u>2010</u>	<u>2009</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$5,894,328	\$5,628,883
Capital Assets, Net	17,200,063	17,822,213
Total Assets	<u>23,094,391</u>	<u>23,451,096</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	2,655,375	2,499,385
Long-Term Liabilities	3,564,934	3,830,783
Total Liabilities	<u>6,220,309</u>	<u>6,330,168</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	14,145,885	14,557,603
Restricted	1,240,832	1,045,357
Unrestricted	1,487,365	1,517,968
Total	<u>\$16,874,082</u>	<u>\$17,120,928</u>

Net assets of governmental activities decreased \$246,846 or 1.4 percent during 2010. While overall revenues increased \$438,457 (6.8%) and expenditures decreased \$10,443 (.1%), overall expenditures in 2010 still exceeded overall revenues.

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009.

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

	<u>2010</u>	<u>2009</u>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$786,331	\$738,162
Operating Grants and Contributions	1,007,831	731,127
Capital Grants and Contributions	63,688	
Total Program Revenues	<u>1,857,850</u>	<u>1,469,289</u>
General Revenues:		
Property Taxes	1,620,864	1,678,529
Grants and Entitlements	3,368,154	3,189,384
Investment Earnings	16,495	63,517
Gifts and Donations	21,199	16,756
Miscellaneous	37,250	50,502
Proceeds from Sale of Capital Assets	36	
Insurance Recoveries		15,414
Total General Revenues	<u>5,063,998</u>	<u>5,014,102</u>
Total Revenues	<u>6,921,848</u>	<u>6,483,391</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2010  
Unaudited  
(Continued)**

<b><u>Expenses:</u></b>		
Instruction	3,628,796	3,759,651
Support Services:		
Pupils	286,896	281,819
Instructional Staff	530,679	481,071
Board of Education	11,382	12,802
Administration	479,025	487,287
Fiscal	244,081	249,849
Business	4,356	4,826
Operation and Maintenance of Plant	667,261	721,609
Pupil Transportation	442,666	296,897
Central	55,432	50,703
Non-Instructional	274,338	300,681
Extracurricular Activities	354,098	335,628
Capital Outlay	35,850	21,536
Interest and Fiscal Charges	153,834	174,778
Total Expenses	<u>7,168,694</u>	<u>7,179,137</u>
Decrease in Net Assets	<u>(\$246,846)</u>	<u>(\$695,746)</u>

Program receipts account for 27 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

“Charges for Services” program revenues increased primarily due to increase in open enrollment tuition in the General fund and an increase in extracurricular receipts. “Operating and Capital Grants and Contributions” increased due to an increase in state and federal grants such as the American Recovery and Reinvestment Act (ARRA) Grant and Ohio School Classroom Facilities Corrective Action Grant. Total expenses decreased by less than 1 percent.

The major program disbursements for governmental activities are for instruction, which accounts for 51 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for 18 percent of governmental disbursements. Maintenance of the District’s facilities also represents a significant disbursement of 9 percent. The remaining 22 percent of the District’s disbursements are related to the primary function of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements. Overall expenditures decreased by less than 1 percent.

**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, 2010  
Unaudited  
(Continued)**

**Table 3**

	<b>Governmental Activities</b>			
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Instruction	\$3,628,796	\$2,388,746	\$3,759,651	\$2,644,760
Support Services:				
Pupils	286,896	278,523	281,819	273,673
Instructional Staff	530,679	514,272	481,071	476,901
Board of Education	11,382	11,382	12,802	12,802
Administration	479,025	479,025	487,287	487,287
Fiscal	244,081	244,081	249,849	249,849
Business	4,356	4,356	4,826	4,826
Operation and Maintenance of Plant	667,261	474,656	721,609	721,609
Pupil Transportation	442,666	432,237	296,897	287,561
Central	55,432	48,573	50,703	41,703
Non-Instructional	274,338	30,186	300,681	43,315
Extracurricular Activities	354,098	278,811	335,628	269,248
Capital Outlay	35,850	(27,838)	21,536	21,536
Interest and Fiscal Charges	153,834	153,834	174,778	174,778
<b>Total Expenses</b>	<b>\$7,168,694</b>	<b>\$5,310,844</b>	<b>\$7,179,137</b>	<b>\$5,709,848</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 65 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 74 percent. The remaining 26 percent is derived from charges for services and operating and capital grants and contributions. .

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General fund and the Bond Retirement fund. Total governmental funds had revenues and other financing sources of \$6,798,785 and expenditures and other financing uses of \$6,775,822.

The General fund's net negative change in fund balance of \$43,733 in 2010 was 97% lower than in 2009. This was primarily attributed to total expenditures being 10% higher in 2009 than in 2010. The Bond Retirement fund balance dropped \$2,548 in 2010. This was significantly lower than the \$45,624 in 2009. Property tax revenues were 12% less in 2010.

**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 2010, the District amended its General fund budget as needed.

Original and final budget revenues and other financing sources varied by less than 2.1 percent. Final budget and actual revenues and other sources varied by 4.6 percent.

Original and final budgeted expenditures and other financing uses did not vary significantly. Final expenditures and other financing uses were budgeted at \$6,457,469 while actual expenditures and other financing uses were \$5,318,532. The \$1,138,937 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, 2010  
Unaudited  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2010, the District had \$17,200,063 invested in capital assets (net of accumulated depreciation) for governmental activities which is a decrease of \$622,150 over 2009 which is primarily attributed to depreciation.

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

**Debt**

At June 30, 2010, the District had \$3,054,178 in school improvement general obligation bonds for building improvements to the former high school / middle school building and the new District school building which was 6.4% less than outstanding debt at June 30, 2009. 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 the Bond Retirement fund.

At June 30, 2010, the District's overall legal debt margin was \$3,042,053, with an un-voted debt margin of \$67,736. Ohio Revised Code § 133.06 (1) allows a school district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program.

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 first year of the state biennium budget. 32.2% of District revenue sources are from local funds, 57.1% is from state funds, and the remaining 10.7% percent is from federal funds. The total expenditure per pupil was calculated at \$9,160.

In November 2009, 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. A new state funding system, referred to Pathway to Student Success (PASS), has been approved and is in the process of being implemented. The Board of Education placed a 1% Earned Income Tax on the ballot in November 2010 for operating expenses, but it was defeated. The Board of Education is currently reviewing what type of levy and when this levy will be placed on the ballot.

**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 Kerry Samples, Treasurer, Edon Northwest Local School District, 802 West Indiana Street, Edon, Ohio 43518-9627.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Net Assets  
June 30, 2010**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	3,442,614
Materials and Supplies Inventory		24,835
Accounts Receivable		2,839
Intergovernmental Receivable		175,615
Prepaid Items		42,680
Taxes Receivable		2,205,745
Non-Depreciable Capital Assets		270,236
Depreciable Capital Assets, net		16,929,827
<i>Total Assets</i>		<u>23,094,391</u>
<b>Liabilities:</b>		
Accounts Payable		4,301
Accrued Wages and Benefits		484,236
Contracts Payable		24,250
Intergovernmental Payable		149,421
Accrued Interest Payable		10,059
Deferred Revenue		1,983,108
Long-Term Liabilities:		
Due Within One Year		270,430
Due in More Than One Year		3,294,504
<i>Total Liabilities</i>		<u>6,220,309</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt		14,145,885
Restricted for Debt Service		664,753
Restricted for Capital Outlay		133,949
Restricted for Other Purposes		442,130
Unrestricted		1,487,365
<i>Total Net Assets</i>	\$	<u><u>16,874,082</u></u>

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Statement of Activities  
For Fiscal Year Ended June 30, 2010**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 2,868,422	\$ 581,572	\$ 119,244	\$ (2,167,606)	
Special	562,296		507,569	(54,727)	
Vocational	186,640		31,665	(154,975)	
Other	11,438			(11,438)	
Support Services:					
Pupils	286,896		8,373	(278,523)	
Instructional Staff	530,679		16,407	(514,272)	
Board of Education	11,382			(11,382)	
Administration	479,025			(479,025)	
Fiscal	244,081			(244,081)	
Business	4,356			(4,356)	
Operation and Maintenance of Plant	667,261		192,605	(474,656)	
Pupil Transportation	442,666		10,429	(432,237)	
Central	55,432		6,859	(48,573)	
Operation of Non-Instructional Services	274,338	129,472	114,680	(30,186)	
Extracurricular Activities	354,098	75,287		(278,811)	
Capital Outlay	35,850		\$ 63,688	27,838	
Debt Service:					
Interest and Fiscal Charges	153,834			(153,834)	
<b>Totals</b>	<b>\$ 7,168,694</b>	<b>\$ 786,331</b>	<b>\$ 1,007,831</b>	<b>\$ 63,688</b>	<b>(5,310,844)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes, Levied for General Purposes				1,210,292	
Property Taxes, Levied for Capital Outlay				86,438	
Property Taxes, Levied for Debt Service				299,653	
Property Taxes, Levied for Other				24,481	
Grants and Entitlements not Restricted to Specific Programs				3,368,154	
Gifts and Donations				21,199	
Investment Earnings				16,495	
Miscellaneous				37,250	
Proceeds from Capital Assets				36	
<b>Total General Revenues</b>				<b>5,063,998</b>	
<i>Change in Net Assets</i>				<i>(246,846)</i>	
Net Assets Beginning of Year				17,120,928	
<i>Net Assets End of Year</i>				<i>\$ 16,874,082</i>	

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,332,711	\$ 634,981	\$ 474,922	\$ 3,442,614
Materials and Supplies Inventory	18,323		6,512	24,835
Intergovernmental Receivable	2,919		172,696	175,615
Accounts Receivable	2,312		527	2,839
Prepaid Items	39,374		3,306	42,680
Taxes Receivable	1,687,091	373,225	145,429	2,205,745
<b>Total Assets</b>	<b>\$ 4,082,730</b>	<b>\$ 1,008,206</b>	<b>\$ 803,392</b>	<b>\$ 5,894,328</b>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	\$ 4,301			\$ 4,301
Accrued Wages and Benefits	431,535		\$ 52,701	484,236
Contracts Payable			24,250	24,250
Intergovernmental Payable	129,701		19,720	149,421
Matured Compensated Absences Payable	5,404		26	5,430
Deferred Revenue	1,574,010	\$ 346,419	254,341	2,174,770
<b>Total Liabilities</b>	<b>2,144,951</b>	<b>346,419</b>	<b>351,038</b>	<b>2,842,408</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for Encumbrances	23,273		38,669	61,942
Reserved for Inventory	18,323		6,512	24,835
Reserved for Prepaid Items	39,374		3,306	42,680
Reserved for Property Taxes	113,081	26,806	10,034	149,921
Unreserved, Undesignated, Reported in:				
General Fund	1,743,728			1,743,728
Special Revenue Funds			297,933	297,933
Debt Service Funds		634,981		634,981
Capital Projects Funds			95,900	95,900
<b>Total Fund Balances</b>	<b>1,937,779</b>	<b>661,787</b>	<b>452,354</b>	<b>3,051,920</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,082,730</b>	<b>\$ 1,008,206</b>	<b>\$ 803,392</b>	<b>\$ 5,894,328</b>

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, 2010**

<b>Total Governmental Fund Balances:</b>	\$	3,051,920
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the funds.		17,200,063
Other long-term assets are not available to pay for current period expenditures; therefore, they are deferred in the funds:		
Property Taxes Receivable	72,716	
Intergovernmental Receivable	118,946	
		191,662
Some liabilities are not due and payable in the current period; therefore, they are not reported in the funds:		
Accrued Interest Payable	(10,059)	
General Obligation Bonds Payable	(3,054,178)	
Compensated Absences Payable	(505,326)	
		(3,569,563)
<b>Net Assets of Governmental Activities:</b>	\$	<b>16,874,082</b>

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 Fiscal Year Ended June 30, 2010**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 1,201,008	\$ 300,619	\$ 110,598	\$ 1,612,225
Intergovernmental	3,291,812	81,926	948,511	4,322,249
Interest	19,480		239	19,719
Decrease in Fair Value of Investments	(3,224)			(3,224)
Tuition and Fees	559,125		10,103	569,228
Rent	6,648			6,648
Extracurricular Activities	2,405		78,438	80,843
Gifts and Donations	15,604		5,595	21,199
Customer Sales and Services			129,612	129,612
Miscellaneous	33,081		4,169	37,250
<i>Total Revenues</i>	<u>5,125,939</u>	<u>382,545</u>	<u>1,287,265</u>	<u>6,795,749</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,404,795		228,035	2,632,830
Special	316,327		248,571	564,898
Vocational	193,130		217	193,347
Other	11,438			11,438
Support Services:				
Pupils	215,077		64,506	279,583
Instructional Staff	352,709		125,865	478,574
Board of Education	11,382			11,382
Administration	455,373		12,112	467,485
Fiscal	225,387	8,867	5,374	239,628
Business	647			647
Operation and Maintenance of Plant	442,580		175,204	617,784
Pupil Transportation	309,752			309,752
Central	22,744		32,688	55,432
Operation of Non-Instructional Services			218,187	218,187
Extracurricular Activities	205,407		74,372	279,779
Capital Outlay			35,850	35,850
Debt Service:				
Principal		245,000		245,000
Interest		131,226		131,226
<i>Total Expenditures</i>	<u>5,166,748</u>	<u>385,093</u>	<u>1,220,981</u>	<u>6,772,822</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(40,809)</u>	<u>(2,548)</u>	<u>66,284</u>	<u>22,927</u>
<b>Other Financing Sources and (Uses):</b>				
Transfers In			3,000	3,000
Proceeds from Sale of Capital Assets	36			36
Transfers Out	(3,000)			(3,000)
<i>Total Other Financing Sources and (Uses)</i>	<u>(2,964)</u>	<u></u>	<u>3,000</u>	<u>36</u>
<i>Net Change in Fund Balances</i>	<u>(43,773)</u>	<u>(2,548)</u>	<u>69,284</u>	<u>22,963</u>
Fund Balance at Beginning of Year	1,981,552	664,335	383,070	3,028,957
<i>Fund Balance at End of Year</i>	<u>\$ 1,937,779</u>	<u>\$ 661,787</u>	<u>\$ 452,354</u>	<u>\$ 3,051,920</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 Statement Activities  
June 30, 2010**

**Net Change in Fund Balances - Total Governmental Funds** \$ 22,963

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	2,861	
Depreciation	<u>(619,317)</u>	(616,456)

The book value of the capital assets is removed from the capital asset account on the statement of net assets when disposed resulted in a loss on disposal of capital assets on the statements of activities.		(5,694)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Intergovernmental	117,424	
Delinquent Property Taxes	<u>8,639</u>	126,063

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.		245,000
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Interest charges reported on the statement of activities, that do not require the use of current financial resources, are not reported as expenditures in governmental funds.		(22,608)
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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, they are not reported as expenditures in governmental funds.

Compensated Absences Payable		<u>3,886</u>
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**Change in Net Assets of Governmental Activities** \$ (246,846)

See Accompanying Notes to the Basic Financial Statements

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For Fiscal Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 1,141,361	\$ 1,141,361	\$ 1,187,655	\$ 46,294
Intergovernmental	3,261,700	3,161,700	3,288,893	127,193
Interest	42,050	42,050	23,404	(18,646)
Tuition and Fees	493,100	493,100	560,691	67,591
Rent	5,500	5,500	6,648	1,148
Extracurricular Activities	3,300	3,300	2,408	(892)
Gifts and Donations	7,000	7,000	15,604	8,604
Customer Sales and Services	100	100		(100)
Miscellaneous	38,000	38,000	32,087	(5,913)
<i>Total Revenues</i>	<u>4,992,111</u>	<u>4,892,111</u>	<u>5,117,390</u>	<u>225,279</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,796,112	2,796,112	2,510,914	285,198
Special	446,644	446,644	318,665	127,979
Vocational	200,895	200,895	189,304	11,591
Adult/Continuing	75	75		75
Other	122,500	122,500	11,438	111,062
Support Services:				
Pupils	305,895	305,895	215,378	90,517
Instructional Staff	394,475	394,475	354,814	39,661
Board of Education	16,850	16,850	13,392	3,458
Administration	491,450	491,450	464,142	27,308
Fiscal	266,995	266,995	228,200	38,795
Business	2,450	2,450	647	1,803
Operation and Maintenance of Plant	682,359	682,359	447,390	234,969
Pupil Transportation	430,445	430,445	313,722	116,723
Central	62,000	62,000	22,983	39,017
Operation of Non-Instructional Services	250	250		250
Extracurricular Activities	217,055	217,055	206,524	10,531
<i>Total Expenditures</i>	<u>6,436,450</u>	<u>6,436,450</u>	<u>5,297,513</u>	<u>1,138,937</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(1,444,339)</u>	<u>(1,544,339)</u>	<u>(180,123)</u>	<u>1,364,216</u>
<b>Other Financing Sources and (Uses):</b>				
Proceeds from Sale of Fixed Assets	500	500	36	(464)
Refund of Prior Year Expenditures	500	500	6,582	6,082
Transfers Out		(3,000)	(3,000)	
Advances Out	(3,000)			
Refund of Prior Year Receipts	(1,000)	(18,019)	(18,019)	
<i>Total Other Financing Sources and (Uses)</i>	<u>(3,000)</u>	<u>(20,019)</u>	<u>(14,401)</u>	<u>5,618</u>
<i>Net Change in Fund Balances</i>	<u>(1,447,339)</u>	<u>(1,564,358)</u>	<u>(194,524)</u>	<u>1,369,834</u>
Fund Balance at Beginning of Year	2,495,010	2,495,010	2,495,010	
Prior Year Encumbrances Appropriated	1,791	1,791	1,791	
<i>Fund Balance at End of Year</i>	<u>\$ 1,049,462</u>	<u>\$ 932,443</u>	<u>\$ 2,302,277</u>	<u>\$ 1,369,834</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, 2010

	<u>Agency Fund</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>31,949</u>
<b>Liabilities:</b>	
Undistributed Monies	\$ <u>31,949</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, 2010**

**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 two instructional/support facility staffed by 29 non-certified and 49 certified full-time teaching personnel who provide services to 652 students and other community members.

**The Reporting Entity**

**A. Primary Government**

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

**B. Component Units**

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

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

The District is associated with eight 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 Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**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.

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.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

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

Fund Financial Statements

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**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.

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, 2010, but which were levied to finance fiscal year 2011 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.



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

**E. Budgetary Process**

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

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

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.

During fiscal year 2010, investments consisted of federal agency securities, a money market mutual fund, commercial paper, bankers acceptances, and STAR Ohio. Investments in federal securities are reported at fair value which is based on quoted market prices. The District's money market mutual fund is recorded at the amount reported by Robert W. Baird and Company at June 30, 2010. Commercial paper and bankers acceptances are reported at cost.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2010. 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, 2010.

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 2010 amounted to \$19,480 and \$8,376, which were assigned from other District funds.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

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

**I. 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:

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

<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

**J. Compensated Absences**

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

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

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

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "mature 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.

**K. 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.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**L. Net Assets**

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

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

**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.

**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 financial statements.

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.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**P. Pass-Through Grants**

The Special Education Preschool special revenue grant 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 2010.

**3. ACCOUNTABILITY**

The Management Information System fund had a deficit fund balance of \$97 at June 30, 2010. The fund balance complied with Ohio state law which does not permit a cash basis deficit fund balance at year-end. The General fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**4. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING – (Continued)**

<b>Net Change in Fund Balance Major Governmental Fund</b>	
GAAP Basis	(\$43,773)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received In Cash FY 2010	113,286
Accrued FY 2010, Not Yet Received in Cash	(139,854)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(628,535)
Accrued FY 2010, Not Yet Paid in Cash	531,263
Encumbrances Outstanding at Year End (Budget Basis)	(26,911)
Budget Basis	(\$194,524)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

Investments

As of June 30, 2010, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Balance at Fair Value</u>	<u>Less Than One Year</u>	<u>13 to 24 Months</u>
Federal Home Loan Bank (FHLB) Bonds	\$1,500,091	\$590,091	\$910,000
Federal Home Loan Bank (FHLB) Discount Notes	299,970	299,970	
Federal Farm Credit Corp (FFCC) Bonds	299,837		299,837
Federal Home Loan Mortgage Association (FHLMA) Discount Notes	199,160	199,160	
Federal National Mortgage Association (FNMA) Bonds	300,419		300,419
Federal National Mortgage Association (FNMA) Discount Notes	199,400	199,400	
<b>Total Investments</b>	<u><u>\$2,798,877</u></u>	<u><u>\$1,288,621</u></u>	<u><u>\$1,510,256</u></u>

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

<b>Investment Type</b>	<b>Moody’s</b>	<b>Standard &amp; Poor’s</b>
Federal Home Loan Bank (FHLB) Bonds	Aaa	AAA
Federal Home Loan Bank (FHLB) Discount Notes	Aaa	AAA
Federal Farm Credit Corp (FFCC) Bonds	Aaa	AAA
Federal Home Loan Mortgage Association (FHLMA) Discount Notes	Aaa	AAA
Federal National Mortgage Association (FNMA) Bonds	Aaa	AAA
Federal National Mortgage Association (FNMA) Discount Notes	Aaa	AAA
First American Government Money Market Fund	Aaa	AAAm
STAR Ohio		AAAm

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. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FHLB Bonds, FHLB Discount Notes, FFCC Bonds, FHLMA Discount Notes, FNMA Bonds, and FNMA Discount Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the District’s name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers’ acceptances to 25 percent of the interim monies available for investment at any one time. The District’s investment in FHLB Bonds, FHLB Discount Notes, FFCC Bonds, FHLMA Discount Notes, FNMA Bonds, and FNMA Discount Notes represent 53 percent, 11 percent, 11 percent, 7percent, 11 percent, and 7 percent, respectively of the District’s total investments.

**6. PROPERTY TAXES**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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.



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. PROPERTY TAXES – (Continued)**

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 2010 represent the collection of calendar year 2009 taxes. Real property taxes for 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 were levied after April 1, 2009, on the assessed values as of December 31, 2008, 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 2010 (other than public utility property) represent the collection of calendar year 2010 taxes. Tangible personal property taxes for 2010 were levied after April 1, 2009, on the value as of December 31, 2008. 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, 2010, are available to finance fiscal year 2010 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, 2010 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 2010 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, 2010, was \$113,081 in the General Fund, \$26,806 in the Bond Retirement Fund, \$7,829 in the Permanent Improvement Fund, and \$2,205 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2009, was \$99,728 in the General Fund, \$30,608 in the Bond Retirement Fund, \$7,407 in the Permanent Improvement Fund, and \$2,222 in the Classroom Facilities Fund.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. PROPERTY TAXES – (Continued)**

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<b>2009 Second- Half Collections</b>		<b>2010 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$52,729,870	83%	\$59,189,280	87%
Industrial/Commercial	6,560,180	11%	6,526,730	9%
Public Utility	2,101,070	3%	2,186,220	3%
Tangible Personal	1,996,920	3%	182,720	1%
Total Assessed Value	<u>\$63,388,040</u>	<u>100%</u>	<u>\$68,084,950</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.65		\$44.25	

**7. RECEIVABLES**

Receivables at June 30, 2010, consisted of property, accounts (rent and student fees), accrued interest, 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:

	<b>Amount</b>
Governmental Activities:	
General Fund	\$2,919
Special Education Grants To States Fund	54,665
Title I Grants To Local Educational Agencies Fund	66,993
Safe and Drug Free Schools and Communities State Grants Fund	1,824
Title II-A Fund	46,555
Title II-D Fund	979
Rural Education Achievement Program Fund	1,680
Total Intergovernmental Receivables	<u>\$175,615</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$270,236			\$270,236
Total Nondepreciable Capital Assets	<u>270,236</u>			<u>270,236</u>
Depreciable Capital Assets				
Land Improvements	398,743			398,743
Buildings and Building Improvements	18,479,582			18,479,582
Furniture, Fixtures, and Equipment	1,185,768	\$2,861	(\$64,898)	1,123,731
Vehicles	1,086,747			1,086,747
Total Depreciable Capital Assets	<u>21,150,840</u>	<u>2,861</u>	<u>(64,898)</u>	<u>21,088,803</u>
Less Accumulated Depreciation				
Land Improvements	(11,937)	(11,951)		(23,888)
Buildings and Building Improvements	(1,947,370)	(374,176)		(2,321,546)
Furniture, Fixtures, and Equipment	(1,082,789)	(99,892)	59,204	(1,123,477)
Vehicles	(556,767)	(133,298)		(690,065)
Total Accumulated Depreciation	<u>(3,598,863)</u>	<u>(619,317)</u>	<u>59,204</u>	<u>4,158,976</u>
Depreciable Capital Assets, Net	<u>17,551,977</u>	<u>(616,456)</u>	<u>(5,694)</u>	<u>16,929,827</u>
Governmental Activities Capital Assets, Net	<u>\$17,822,213</u>	<u>(\$616,456)</u>	<u>(\$5,694)</u>	<u>\$17,200,063</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$205,940
Special	12,018
Vocational	23,516
Support Services:	
Pupil	4,951
Instructional Staff	46,132
Administration	15,415
Fiscal	4,642
Business	1,767
Operation and Maintenance of Plant	45,931
Pupil Transportation	129,762
Operation of Non-Instructional Services	55,235
Extracurricular	74,008
Total Depreciation Expense	<u>\$619,317</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. 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 16). 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.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS**

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$128,330, \$86,063, and \$98,564, respectively; 45 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System**

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

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**10. DEFINED PENSION BENEFIT PLANS - (Continued)**

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were 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 2010, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$333,640, \$331,619, and \$384,551, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**11. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 4.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount. For 2010, the minimum compensation level was established at \$35,800. The District's SERS surcharge amount for 2010 was \$13,809.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS – (Continued)**

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

The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$16,340, \$52,888, and \$54,025, respectively; 11 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,632, \$7,101, and \$6,624, respectively; 45 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$25,665, \$25,509, and \$29,581, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009, the balance in the Fund was \$2.7 billion. For the year ended June 30, 2009, net health care costs paid by STRS were \$298,110,000 and STRS has 129,659 eligible benefit recipients.

**12. 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 219 days. The maximum payout is 65.7 days.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2010, the following changes occurred in obligations reported in the Government-Wide Financial Statements:

	<u>Balance at 06/30/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/10</u>	<u>Amount Due In one Year</u>
General Obligation Bonds, Series 1997:					
Term – 5.35% - 6%	\$660,000		\$40,000	\$620,000	\$45,000
General Obligation Bonds, Series 2001:					
Serial – 3% - 4%	390,000		125,000	265,000	130,000
General Obligation Bonds, Series 2006:					
Serial – 4% - 5%	135,000			135,000	
Term – 5.35% - 6%	1,915,000		80,000	1,835,000	90,000
Capital Appreciation Bonds	164,610	\$34,568		199,178	
Total G.O.B., Series 2006	<u>2,214,610</u>	<u>34,568</u>	<u>80,000</u>	<u>2,169,178</u>	<u>90,000</u>
Compensated Absences	566,173		55,417	510,756	5,430
Total Long-Term Obligations	<u>\$3,830,783</u>	<u>\$34,568</u>	<u>\$300,417</u>	<u>\$3,564,934</u>	<u>\$270,430</u>

Debt outstanding at June 30, 2010 consisted of 1997 general obligation bonds totaling \$620,000 and 2001 general obligations bonds totaling \$265,000 and \$2,169,178 advance refunding bonds. The 1997 bonds were issued in August 1997 and will mature in December 2019. The 2001 bonds were issued in October 2001. The general obligation bonds were issued in August 2006 and will mature in December 2024. A substantial portion of these outstanding bonds were refunded in August 2006. The remaining bonds from the 2001 issuance will mature in December 2011.

**School Improvement Bonds – 1997**

The District issued \$950,000 in voted general obligation bonds to finance the construction of an addition to the former Edon school building. The bonds were issued on April 12, 1997. The bond issued included \$250,000 in serial bonds and \$700,000 in term bonds. The bonds will be retired with a voted property tax levy from the Bond Retirement fund. The final serial bond matured on December 1, 2007 with an interest rate of 5.10% and principal amount of \$35,000.

The term bonds maturing on December 1, 2019, 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 percent 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.

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2012	\$225,000	5.35%
2019	475,000	6.00%



**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**School Improvement Bonds – 2001**

The District issued \$3,600,000 in voted general obligation bonds for the purpose of constructing, renovation, and improving existing school facilities and related site development. The bonds were issued on October 15, 2001. The bond issued included \$1,150,000 in serial bonds and \$2,450,000 in term bonds. The bonds will be retired with a voted property tax levy from the Bond Retirement fund.

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

Maturity Date (December 1)	Principal Amount	Interest Rate
2010	\$130,000	4.00%
2011	135,000	4.00%

The term bonds were redeemed with the proceeds from the advance refunding bond issue in August 2006.

**School Improvement Bonds – 2006**

The District issued \$2,450,000 in general obligation bonds for the purpose advance refunding of the School Improvement Bonds – 2001 term bonds. The bonds were issued on August 22, 2006. The bond issue included \$300,000 in serial bonds, \$2,085,000 in term bonds, and \$65,000 in capital appreciation bonds. The bonds will be retired with a voted property tax levy from the Debt Service fund

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

Maturity Date (December 1)	Principal Amount	Interest Rate
2013	135,000	4.00%

The current interest term bonds which mature on December 1, 2012, December 1, 2015, December 1, 2020, December 1, 2022, and December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest, to the date of redemption, on the applicable mandatory redemption dates in the principal amounts payable on those dates set forth in the Certificate of Award.

Maturity Date (December 1)	Principal Amount	Interest Rate
2012	295,000	3.70%
2015	290,000	4.00%
2020	400,000	4.00%
2022	450,000	4.125%
2024	480,000	4.125%

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

The capital appreciation bonds were issued in the aggregate original principal amount of \$65,000 and mature on January 15 in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Maturity Amount</u>
2016	\$25,000	\$165,000
2017	20,000	170,000
2018	20,000	175,000

The value of the capital appreciation bonds reported at June 30, 2010 was \$199,178. The annual accretion of interest is based on the straight-line method. The accreted interest at June 30, 2010 was \$134,178. The bonds are being retired through the Bond Retirement Fund.

Total expenditures for interest toward the school improvement bonds for the period ended June 30, 2010, was \$131,226.

The scheduled payments of principal and interest on debt outstanding at June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$265,000	\$120,707	\$385,707
2012	190,000	111,107	301,107
2013	170,000	103,420	273,420
2014	190,000	95,512	285,512
2015	200,000	86,562	286,562
2016-2020	894,178	573,035	1,467,213
2021-2025	1,145,000	121,037	1,266,037
Total	<u>\$3,054,178</u>	<u>\$1,211,380</u>	<u>\$4,265,558</u>

**14. SET-ASIDE CALCULATIONS**

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

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**14. SET-ASIDE CALCULATIONS – (Continued)**

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-Aside Reserve Balance June 30, 2009			
Current Year Set Aside Requirement	\$101,284	\$101,284	\$202,568
Current Year Qualifying Expenditures	(81,572)		(81,572)
Excess Qualified Disbursements from Prior Years	(39,001)		(39,001)
Current Year Offsets		(101,284)	(101,284)
Total	<u>(\$19,289)</u>	<u>                    </u>	<u>(\$19,289)</u>
Balance Carried Forward To Fiscal Year 2011	<u>(\$19,289)</u>	<u>                    </u>	<u>(\$19,289)</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts to below zero. Current year offsets do not carry forward. The negative amounts may be used to offset future year textbook set-aside requirements; however, they may not be used to reduce capital set-aside requirements.

**15. 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. Total disbursements made by the District to NBEC during fiscal year 2010 were \$54,533. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**15. 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. To obtain financial information, write to the Four County Career Center, Jennifer Bonner, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**D. 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. Northwest Ohio Special Education Regional Resource Center**

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**F. Northwest Ohio Regional Professional Development Center**

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

**16. 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, 2010 were \$543,899. Financial information can be obtained from Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, Archbold, Ohio 43502.

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

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During fiscal year ending June 30, 2010, the District paid an enrollment fee of \$688 to the WCGRP to cover the costs of administering the program.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**17. 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, 2010.

**B. Litigation**

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

**18. INTERFUND TRANSFERS**

During the year ended June 30, 2010, the General fund transferred \$3,000 to the Uniform Supply Fund which is an Other Non-Major Governmental fund. The transfer was made to subsidize the fund due to student fee waivers required by House Bill 1.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**Federal Awards Receipts and Expenditures Schedule  
For the Year Ended June 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
<u>Child Nutrition Cluster:</u>				
School Breakfast Program - Cash Assistance		10.553	6,068	6,068
National School Lunch Program		10.555		
Cash Assistance			106,226	106,226
Non- Cash Assistance (Food Distribution)			20,739	20,247
Total National School Lunch Program			<u>126,965</u>	<u>126,473</u>
Total U.S. Department of Agriculture			<u><b>133,033</b></u>	<u><b>132,541</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
<u>Special Education Cluster:</u>				
Special Education Grants to States	050625-6BSF-2009	84.027	12,955	13,300
	050625-6BSF-2010	84.027	108,430	108,198
			<u>121,385</u>	<u>121,498</u>
Special Education Grants to States - ARRA	050625-STIMDJ-2010	84.391	<u>102,233</u>	<u>102,024</u>
Total Special Education Cluster			223,618	223,522
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA		84.394	192,605	183,368
Title II-D Technology Grant	050625-TJS1-2010	84.318	524	524
<u>Title I Cluster:</u>				
Title I Grants to Local Educational Agencies	050625-C1S1-2009	84.010	12,375	14,876
	050625-C1S1-2010	84.010	<u>132,419</u>	<u>129,568</u>
			144,794	144,444
Title I Grants to Local Educational Agencies - ARRA	050625-STIMDK-2010	84.389	<u>42,828</u>	<u>42,828</u>
Total Title I Cluster			187,622	187,272
Safe and Drug-Free Schools and Communities State Grants	050625-DRS1-2010	84.186	2,061	1,824
Improving Teacher Quality State Grants	050625-TRS1-2009	84.367	1,010	1,315
	050625-TRS1-2009		<u>49,528</u>	<u>49,073</u>
			50,538	50,388
<b>Direct Assistance</b>				
Rural Education	050625-6BSF-2010	84.358	<u>17,668</u>	<u>17,668</u>
Total U.S. Department of Education			<u><b>674,636</b></u>	<u><b>664,566</b></u>
<b>Totals</b>			<u><b>\$807,669</b></u>	<u><b>\$797,107</b></u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

## 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 20, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 20, 2011



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Edon Northwest Local School District, Williams County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Edon Northwest Local School District, Williams County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as finding 2010-001.

### Internal Control Over Compliance

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-001 to be a material weakness.

We also noted other matters involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 20, 2011.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 20, 2011

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster – CFDA #84.027 and 84.391 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

**Noncompliance Citation / Material Weakness**

**SPECIAL EDUCATION CLUSTER – SPECIAL EDUCATION GRANTS TO STATES – ALLOWABLE  
 ACTIVITIES**

<b>Finding Number</b>	2010-001
<b>CFDA Title and Number</b>	84.027 Special Education Grants to States 84.391 Special Education Grants to States - ARRA
<b>Federal Award Number / Year</b>	050633-6BSF-2010 050625-STIMDJ-2010
<b>Federal Agency</b>	Ohio Department of Education

34 CFR 80.20 (b)(5) states in part: “applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.”

In 2010, the Ohio Department of Education (ODE) awarded the District a 2010 IDEA, Part B grant in the amount of \$123,352. The approved budget included "instructional" expenditures for salaries, fringe benefits, and purchased services.

ODE also awarded the District a 2010 American Recovery and Reinvestment Act (ARRA) IDEA, Part B grant in the amount of \$141,976. The approved budget included \$100,922 of "instructional" expenditures and \$41,054 of "support services." The budgeted "instructional" expenditures were for salaries, fringe benefits, and purchased services and budgeted "support services" were for salaries and fringe benefits.

In 2010, the District charged purchased services to the "support services" account code to both the IDEA, Part B grant (\$11,751) and ARRA IDEA, Part B grant (\$44,597). These are unallowed activities per the ODE approved grant budget; however, the expenditures charged are allowable for the grant as a whole.

We recommend the District monitor IDEA expenditures to verify they are for an allowable activity and in compliance with authorized grant budgets.

**Officials' Response:**

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

**EDON NORTHWEST LOCAL SCHOOL DISTRICT  
WILLIAMS COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 §.315 (c)  
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	The Treasurer will ensure expenditures are posted to the District's accounts in accordance with those approved by the Ohio Department of Education (ODE) on the Comprehensive Continuous Improvement Plan (CCIP) to ensure the Final Expenditure Report (FER) is properly reported.	FY 2011	Kerry Samples, Treasurer

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# Dave Yost • Auditor of State

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

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on July 13, 2010.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C.1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat.571, 20 U.S.C. 1232q, as amended.

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

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



**Dave Yost**  
Auditor of State

January 20, 2011



# Dave Yost • Auditor of State

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  
FEBRUARY 15, 2011