



**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Edon Northwest Local School District
Williams County
309 West Indiana Street
Edon, Ohio 43518-9620

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Edon Northwest Local School District, Williams County, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Edon Northwest Local School District, Williams County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 20, 2000

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**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,303,063	\$116,244	\$38,423	\$55,697
Receivables:				
Taxes	912,639		78,314	86,229
Accounts	476			
Intergovernmental	836			
Materials and Supplies Inventory	25,035	6,721		
Prepaid Items	11,426	384		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	70,259			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund				
Provided from General Government Resources				
Total Assets and Other Debits	<u>\$3,323,734</u>	<u>\$123,349</u>	<u>\$116,737</u>	<u>\$141,926</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$2,052			
Accrued Wages and Benefits	306,257	\$17,833		
Compensated Absences Payable	23,465			
Intergovernmental Payable	51,876	3,459		
Deferred Revenue	842,302		\$72,642	\$85,654
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,225,952</u>	<u>21,292</u>	<u>72,642</u>	<u>85,654</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	7,293	6,672		14
Reserved for Inventory	25,035	6,721		
Reserved for Prepaid Items	11,426	384		
Reserved for Debt Service Principal			38,423	
Reserved for Property Taxes	70,337		5,672	575
Reserved for Budget Stabilization	70,259			
Unreserved:				
Unreserved, Undesignated	1,913,432	88,280		55,683
Total Fund Equity and Other Credits	<u>2,097,782</u>	<u>102,057</u>	<u>44,095</u>	<u>56,272</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,323,734</u>	<u>\$123,349</u>	<u>\$116,737</u>	<u>\$141,926</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$53,255	\$16,743			\$2,583,425
				1,077,182
231				707
				836
5,049				36,805
				11,810
				70,259
116,286		\$6,263,585		6,379,871
(92,712)				(92,712)
			\$38,423	38,423
			1,356,393	1,356,393
\$82,109	\$16,743	\$6,263,585	\$1,394,816	\$11,462,999
				\$2,052
\$10,144				334,234
7,003			\$439,830	470,298
4,897			29,986	90,218
2,407				1,003,005
	\$16,495			16,495
			925,000	925,000
24,451	16,495		1,394,816	2,841,302
		\$6,263,585		6,263,585
57,658				57,658
				13,979
				31,756
				11,810
				38,423
				76,584
				70,259
	248			2,057,643
57,658	248	6,263,585		8,621,697
\$82,109	\$16,743	\$6,263,585	\$1,394,816	\$11,462,999

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$2,687,157	\$257,512
Interest	146,140	592
Tuition and Fees	12,167	
Rent	365	
Extracurricular Activities	2,729	95,674
Gifts and Donations	2,473	23,279
Customer Services	1,333	950
Property and Other Local Taxes	986,157	23,000
Miscellaneous	74,847	600
Total Revenues	<u>3,913,368</u>	<u>401,607</u>
Expenditures:		
Instruction:		
Regular	1,652,101	35,599
Special	157,733	150,619
Vocational	124,523	
Adult/Continuing	997	
Other	9,700	
Support services:		
Pupils	164,197	14,466
Instructional Staff	171,943	18,176
Board of Education	6,404	
Administration	368,751	29,120
Fiscal	159,023	1,438
Business	7,884	
Operation and Maintenance of Plant	412,432	2,494
Pupil Transportation	363,527	68
Central	26,869	
Non-Instructional Services	492	25,329
Extracurricular activities	112,791	103,560
Capital Outlay	489	
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>3,739,856</u>	<u>380,869</u>
Excess of Revenues Over (Under) Expenditures	<u>173,512</u>	<u>20,738</u>
Other Financing Sources and Uses		
Operating Transfers In	1,217	
Proceeds from Sale of Fixed Assets	7,385	
Other Financing Sources	8,988	1,035
Operating Transfers Out		(1,217)
Other Financing Uses		(1,182)
Total Other Financing Sources (Uses)	<u>17,590</u>	<u>(1,364)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	191,102	19,374
Fund Balance at Beginning of Year	1,906,680	82,683
Fund Balance at End of Year	<u>\$2,097,782</u>	<u>\$102,057</u>

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$7,744	\$34,173	\$69	\$2,986,586
			146,801
			12,167
			365
			98,403
			25,752
			2,283
76,629	98,636		1,184,422
		338	75,785
<u>84,373</u>	<u>132,809</u>	<u>407</u>	<u>4,532,564</u>
	5,644		1,693,344
			308,352
			124,523
			997
			9,700
	13,401	152	192,216
	3,459	87	193,665
			6,404
			397,871
2,068	2,808		165,337
			7,884
	27,378		442,304
	80,601		444,196
		76	26,945
			25,821
			216,351
	81,487	2,124	84,100
20,000			20,000
51,733			51,733
<u>73,801</u>	<u>214,778</u>	<u>2,439</u>	<u>4,411,743</u>
<u>10,572</u>	<u>(81,969)</u>	<u>(2,032)</u>	<u>120,821</u>
			1,217
			7,385
			10,023
			(1,217)
			(1,182)
			16,226
10,572	(81,969)	(2,032)	137,047
33,523	138,241	2,280	2,163,407
<u>\$44,095</u>	<u>\$56,272</u>	<u>\$248</u>	<u>\$2,300,454</u>

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$2,698,263	\$2,687,397	(\$10,866)
Interest	100,000	146,140	46,140
Tuition and Fees	19,050	12,168	(6,882)
Rent	400	365	(35)
Extracurricular Activities	3,300	2,799	(501)
Gifts and Donations	2,700	2,473	(227)
Customer Services	1,649	1,334	(315)
Property and Other Local Taxes	869,662	1,025,459	155,797
Miscellaneous	84,401	74,775	(9,626)
Total Revenues	<u>3,779,425</u>	<u>3,952,910</u>	<u>173,485</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,724,885	1,620,278	104,607
Special	224,231	162,123	62,108
Vocational	143,677	125,674	18,003
Adult/Continuing	4,500	1,000	3,500
Other	41,400	9,700	31,700
Support services:			
Pupils	235,399	164,323	71,076
Instructional Staff	245,459	168,250	77,209
Board of Education	26,000	6,713	19,287
Administration	490,700	364,548	126,152
Fiscal	176,547	158,998	17,549
Business	45,333	7,884	37,449
Operation and Maintenance of Plant	800,531	411,448	389,083
Pupil Transportation	567,932	363,504	204,428
Central	40,015	27,895	12,120
Non-Instructional Services	2,000	492	1,508
Extracurricular activities	140,000	112,560	27,440
Capital Outlay	624,423	489	623,934
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>5,533,032</u>	<u>3,705,879</u>	<u>1,827,153</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,753,607)</u>	<u>247,031</u>	<u>2,000,638</u>
Other Financing Sources (Uses)			
Operating Transfers In		1,217	1,217
Proceeds from Sale of Fixed Assets	1,000	7,385	6,385
Refund of Prior Year Expenditures	1,500	2,363	863
Advances In	38,097	38,097	
Other Financing Sources	800	7,502	6,702
Operating Transfers Out			
Refund of Prior Year Receipts	(1,130)	(1,122)	8
Advances Out			
Other Financing Uses	<u>(165,198)</u>		<u>165,198</u>
Total Other Financing Sources (Uses)	<u>(124,931)</u>	<u>55,442</u>	<u>180,373</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,878,538)</u>	<u>302,473</u>	<u>2,181,011</u>
Fund Balances at Beginning of Year	1,932,118	1,932,118	
Prior Year Encumbrances Appropriated	129,386	129,386	
Fund Balance at end of Year	<u>\$182,966</u>	<u>\$2,363,977</u>	<u>\$2,181,011</u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$248,751	\$257,512	\$8,761	\$7,450	\$7,743	\$293
548	592	44			
87,520	95,674	8,154			
20,511	23,279	2,768			
950	950				
23,000	23,000		69,849	79,800	9,951
700	600	(100)			
<u>381,980</u>	<u>401,607</u>	<u>19,627</u>	<u>77,299</u>	<u>87,543</u>	<u>10,244</u>
56,700	34,624	22,076			
152,242	148,489	3,753			
31,184	16,229	14,955			
26,326	16,661	9,665			
31,073	29,045	2,028			
2,159	1,438	721	5,400	2,068	3,332
3,190	2,878	312			
69	68	1			
500		500			
39,325	26,718	12,607			
130,501	107,225	23,276			
			25,000	20,000	5,000
			71,580	51,733	19,847
<u>473,269</u>	<u>383,375</u>	<u>89,894</u>	<u>101,980</u>	<u>73,801</u>	<u>28,179</u>
<u>(91,289)</u>	<u>18,232</u>	<u>109,521</u>	<u>(24,681)</u>	<u>13,742</u>	<u>38,423</u>
1,034		(1,034)			
	1,034	1,034			
(1,217)	(1,217)				
(1,232)	(1,181)	51			
<u>(1,415)</u>	<u>(1,364)</u>	<u>51</u>			
(92,704)	16,868	109,572	(24,681)	13,742	38,423
83,744	83,744		24,681	24,681	
8,960	8,960				
<u><u>\$109,572</u></u>	<u><u>\$109,572</u></u>		<u><u>\$38,423</u></u>	<u><u>\$38,423</u></u>	

(Continued)

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$54,597	\$57,262	\$2,665
Interest	1	1	
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	96,057	100,177	4,120
Miscellaneous			
Total Revenues	150,655	157,440	6,785
Expenditures:			
Current:			
Instruction:			
Regular	13,644	5,644	8,000
Special			
Vocational			
Adult/Continuing			
Other			
Support services:			
Pupils	13,588	13,402	186
Instructional Staff	3,510	3,460	50
Board of Education			
Administration			
Fiscal	3,500	2,808	692
Business			
Operation and Maintenance of Plant	57,410	30,728	26,682
Pupil Transportation	81,671	80,601	1,070
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	113,218	101,001	12,217
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	286,541	237,644	48,897
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,886)	(80,204)	55,682
Other Financing Sources (Uses)			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out	(38,097)	(38,097)	
Other Financing Uses			
Total Other Financing Sources (Uses)	(38,097)	(38,097)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(173,983)	(118,301)	55,682
Fund Balances at Beginning of Year	83,112	83,112	
Prior Year Encumbrances Appropriated	90,871	90,871	
Fund Balance at end of Year	\$55,682	\$55,682	\$55,682

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$69	\$69		\$3,009,061	\$3,009,914	\$853
			100,618	146,802	46,184
			19,050	12,168	(6,882)
			400	365	(35)
			90,820	98,473	7,653
			23,211	25,752	2,541
			2,599	2,284	(315)
			1,058,568	1,228,436	169,868
338	338		85,439	75,713	(9,726)
407	407		4,389,766	4,599,907	210,141
			1,795,229	1,660,546	134,683
			376,473	310,612	65,861
			143,677	125,674	18,003
			4,500	1,000	3,500
			41,400	9,700	31,700
232	152	\$80	280,403	194,106	86,297
160	87	73	275,455	188,458	86,997
			26,000	6,713	19,287
45		45	521,818	393,593	128,225
			187,606	165,312	22,294
			45,333	7,884	37,449
			861,131	445,054	416,077
			649,672	444,173	205,499
125	76	49	40,640	27,971	12,669
			41,325	27,210	14,115
			270,501	219,785	50,716
2,124	2,124		739,765	103,614	636,151
			25,000	20,000	5,000
			71,580	51,733	19,847
2,686	2,439	247	6,397,508	4,403,138	1,994,370
(2,279)	(2,032)	247	(2,007,742)	196,769	2,204,511
			1,034	1,217	183
			1,000	7,385	6,385
			1,500	3,397	1,897
			38,097	38,097	
			800	7,502	6,702
			(1,217)	(1,217)	
			(2,362)	(2,303)	59
			(38,097)	(38,097)	
			(165,198)		165,198
			(164,443)	15,981	180,424
(2,279)	(2,032)	247	(2,172,185)	212,750	2,384,935
2,280	2,280		2,125,935	2,125,935	
			229,217	229,217	
\$1	\$248	\$247	\$182,967	\$2,567,902	\$2,384,935

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$183,637
Other Revenues	777
	184,414
Operating Expenses	
Salaries	84,520
Fringe Benefits	4,063
Purchased Services	1,224
Materials and Supplies	149,929
Depreciation	8,477
Other Expenses	1,851
	250,064
Operating Loss	(65,650)
Non-Operating Revenues	
Federal Donated Commodities	25,449
Interest	1,718
Federal and State Subsidies	42,913
Other Non-Operating Revenues	40
	70,120
Net Income	4,470
Retained Earnings at Beginning of Year	53,188
Retained Earnings at End of Year	\$57,658

The notes to the general-purpose financial statements are an integral part of this statement.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type
	Enterprise
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$184,101
Other Cash Receipts	777
Cash Payments to Suppliers for Goods and Service	(123,167)
Cash Payments for Contract Services	(1,224)
Cash Payments for Employee Services	(77,949)
Cash Payments for Employee Benefits	(12,768)
Other Cash Payments	(2,001)
Net Cash Used by Operating Activities	(32,231)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	42,913
Other	40
Net Cash Provided by Noncapital Financing Activities	42,953
Cash Flows from Investing Activities:	
Interest Received	1,718
Net Increase in Cash and Cash Equivalents	12,440
Cash and Cash Equivalents at Beginning of Year	40,815
Cash and Cash Equivalents at End of Year	\$53,255
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	(\$65,650)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	8,477
Donated Commodities Used During the Year	25,449
Decrease in Assets:	
Accounts	464
Material and Supplies Inventory	1,883
(Decrease) in Liabilities:	
Compensated Absences Payable	(1,620)
Intergovernmental Payable	(330)
Deferred Revenue	(720)
Accrued Wages and Benefits	(184)
Total Adjustments	33,419
Net Cash Used by Operating Activities	(\$32,231)

The notes to the general-purpose financial statements are an integral part of this statement.

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**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Edon Northwest Local School District (the District) operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's two instructional/support facilities.

The Reporting Entity

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

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

The District is associated with five 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 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 13, 14 and 15 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental, Expendable Trust, and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.

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- a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency Funds are custodial in nature and do not present results of operations or have measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agent capacity.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund

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might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

2. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent.

3. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and

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conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund and function level of expenditures, which are the legal levels of budgetary control.
4. By October 1, the annual appropriation measure for all funds is legally enacted by the Board of Education. The appropriation measure, by law, may not exceed the Certificate of Estimated Resources. The Certificate may be amended to include actual unencumbered balances at the June 30 fiscal year end or if projected increases or decreases in revenue are identified by the District during the year.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund and function without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally, accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2000 follows:

	Excess/(Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$302,473	\$16,868	\$13,742	(\$118,301)	(\$2,032)
Revenue Accruals	(39,542)		(3,170)	(24,631)	
Expenditure Accruals	(43,322)	(4,166)		22,852	

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	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Other Sources/Uses	(37,852)			38,097	
Encumbrances	9,345	6,672		14	
GAAP Basis	<u>\$191,102</u>	<u>\$19,374</u>	<u>\$10,572</u>	<u>(\$81,969)</u>	<u>(\$2,032)</u>

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. 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, 2000.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund and food service fund during fiscal year 2000 amounted to \$146,140 and \$1,718 respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 are reported as investments.

F. Inventory

Inventories are valued at the lower of cost (first in, first out) or market, and are determined by physical count. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory

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items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Improvements are capitalized. The cost 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. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of ten years.

H. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Title I Grant

Title VI Grant

Title VI-B Flow Through Grant

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Senior Citizens Grant
Education Management Information Systems Grant (EMIS)
Auxiliary Services Grant
Professional Development Grant
Textbooks/Instructional Materials Subsidy Grant
Ohio Reads Grant
Summer Intervention
Drug Free School Grant
Eisenhower Grant (Title II)
Preschool Disability Grant
FCC E-Rate Fund
Title VI-R Grant
Safe-School Help Line Program
Ohio School Net Communications Professional Development

Capital Projects Funds

School Net Plus Grant
Technology Equity Grant
Emergency School Building Repair Grant
Power Up Technology
Classroom Disability Access Project

Reimbursable Grants

General Fund

Driver Education Reimbursement
Vocational Education Equipment Grant

Enterprise Fund

National School Lunch Program
Food Distribution Program

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and interfund loans payable.

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J. 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.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future. These compensated absences are measured using the rates in effect at June 30, 2000.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

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N. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

3. EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the Treasurer has identified as not required for use within the current two 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

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4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the District's deposits was \$445,603 and the bank balance was \$567,808. \$100,000 of the bank balance was covered by federal depository insurance. \$467,808 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the entity at the year end. Category 1 includes investments that are insured and registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counterparty's trust department or agent in the District's name. Category 3 includes, uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasury, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The \$2,208,031 carrying value in the State Treasurer's Investment Pool (Star Ohio) approximated the fair value at June 30, 2000. Amounts in Star Ohio cannot be categorized for credit risk because no securities exist in physical or book entry form in the name of the District.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation

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between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$2,653,684	
Cash on Hand	(50)	
Star Ohio	(2,208,031)	\$2,208,031
GASB Statement 3	\$445,603	\$2,208,031

4. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

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The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2000. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion which is available to advance as of June 30, 2000.

The assessed values of properties upon which property tax revenues were based are as follows:

	Amount
Agricultural/Residential	\$32,117,450
Commercial/Industrial	2,898,470
Public Utility	4,050,750
General Personal Property	7,462,590
Total valuation	\$46,529,260

5. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 6/30/99	Adjustments	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$55,874				\$55,874
Buildings and Improvements	1,919,354		\$68,360		1,987,714
Furniture and Equipment	1,940,730	\$23,179	107,955	\$108,797	1,963,067
Vehicles	643,858		268,174	139,505	772,527
Text and Library Books	246,415	(630)	93,916		339,701
Construction in Progress	1,127,692		17,010		1,144,702
Totals	\$5,933,923	\$22,549	\$555,415	\$248,302	\$6,263,585

Certain fixed assets were overstated/(understated) as of July 1, 1999. The adjustments to correct the July 1, 1999 balance are shown above.

A summary of changes in the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Furniture and Equipment	\$116,286			\$116,286
Less: Accumulated Depreciation	(84,235)	(\$8,477)		(92,712)
Totals	\$32,051	(\$8,477)		\$23,574

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6. LONG-TERM OBLIGATIONS

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/99	Additions	Deductions	Balance at 6/30/00
School Improvement Bond	\$945,000		\$20,000	\$925,000
Pension Obligation	31,288		1,302	29,986
Compensated Absences	422,644	\$17,186		439,830
Total Long-Term Obligations	<u>\$1,398,932</u>	<u>\$17,186</u>	<u>\$21,302</u>	<u>\$1,394,816</u>

Debt outstanding at June 30, 2000 consisted of school improvement bonds totaling \$925,000 (interest rates of the bonds vary from 4.00 to 6.00 percent) used to finance the construction of an addition to the Edon building. The bonds were issued on September 1, 1997 and will mature in December 2019.

Total expenditures for interest toward the school improvement bonds for the period ended June 30, 2000 was \$51,733.

The scheduled payments of principal and interest on debt outstanding at June 30, 2000 are as follows:

Years	Principal	Interest	Total
2001	\$20,000	\$50,872	\$70,872
2002	25,000	49,870	74,870
2003	25,000	48,732	73,732
2004	25,000	47,570	72,570
2005	30,000	46,263	76,263
2006-2010	180,000	206,230	386,230
2011-2015	260,000	147,654	407,654
2016-2020	360,000	56,100	416,100
Totals	<u>\$925,000</u>	<u>\$653,291</u>	<u>\$1,578,291</u>

7. COMPENSATED ABSENCES

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

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

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At June 30, 2000 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$23,465 and \$439,830, respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 was \$7,003.

Effective August 1, 1995, the Board implemented a retirement incentive plan (the plan) for all STRS members who meet the eligibility requirements and elect to participate. The plan is in effect until June 30, 2000. STRS members who qualify for the plan must either:

1. Have been eligible for retirement when the plan became effective and retired by June 1, or
2. Give notice of intent to retire by April 30 of the year in which they become eligible to retire and retire at the end of the school year in which notice of intent to retire was given.

Qualifying members who elect to participate receive a service retirement recognition stipend of \$10,000.

8. PENSION AND RETIREMENT PLANS

A. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS 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 STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000, were 9.3 percent of covered payroll for members and 14 percent for employers; 10.5 percent was the portion used to fund pension obligations. 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. The contributions to STRS for the years ending June 30, 2000, 1999, and 1998 were \$287,011, \$267,564, and \$201,730, respectively, 85 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$43,800 representing unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The contributions to SERS for the years ending June 30, 2000, 1999, and 1998 were \$95,730, \$90,390, and \$51,810, respectively, 59 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$38,922 representing unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account.

9. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 2000, as certified to the district by SERS.

For the District, the amount to fund health care benefits, including the surcharge, equaled \$50,575 during the 2000 fiscal year.

10. INSURANCE

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 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.

11. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2000 was as follows:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$165,619	\$18,795	\$184,414
Depreciation Expense	8,477		8,477
Operating Loss	(64,657)	(993)	(65,650)
Donated Commodities	25,449		25,449
Grants	42,913		42,913
Interest	1,718		1,718
Other Nonoperating Revenue		40	40
Net Income (Loss)	5,423	(953)	4,470
Net Working Capital	28,788	5,296	34,084
Total Assets	76,813	5,296	82,109
Total Liabilities	24,451		24,451
Total Equity	52,362	5,296	57,658

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. INTERFUND TRANSACTIONS

Transfers between funds during the year ended June 30, 2000 were as follows:

	Transfers In	Transfers Out
General Fund	\$1,217	
Special Revenue Funds		\$1,217
Total All Funds	\$1,217	\$1,217

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. All payments made by the District for services received are made to the Northern Buckeye Education Council. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. The District paid \$250 for services received through NBEC. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. No payments were made by the District to the Four County Career Center. To obtain financial information write to the Four County Career Center, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. 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. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

B. Workers' Compensation Group Program

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

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

15. INSURANCE 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, 2000 was \$299,658. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, 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 (WGRP) was established through the Northern Buckeye

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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, 2000, the District paid an enrollment fee of \$478 to the WCGRP to cover the costs of administering the program.

16. AGENCY FUNDS

General-Purpose Statement of Changes in Assets and Liabilities			
	Balance at 06/30/99	Change	Balance at 06/30/00
Assets	\$15,675	\$820	\$16,495
Liabilities	\$15,675	\$820	\$16,495

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$41,724	
Current Year Set-aside Requirement	\$85,604	\$85,604	28,535	
Current Year Offsets				
Qualifying Disbursements	(91,464)	(206,935)		
Total	(\$5,860)	(\$121,331)	\$70,259	
Cash Balance Carried Forward to FY 2001			\$70,259	
Amount restricted for Budget Stabilization				\$70,259
Total Restricted Assets				\$70,259

**EDON NORTHWEST LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

18. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$2,423,637 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warrant further attention, study, and development by the General Assembly," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.



STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Edon Northwest Local School District
Williams County
309 West Indiana Street
Edon, Ohio 43518-9620

To the Board of Education:

We have audited the financial statements of Edon Northwest Local School District, Williams County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2000.

Edon Northwest Local School District
Williams County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

December 20, 2000



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OFFICE OF THE AUDITOR

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EDON NORTHWEST LOCAL SCHOOL DISTRICT

WILLIAMS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 18, 2001**