



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Northwestern Local School District
Clark County
5610 Troy Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Northwestern Local School District, Clark County, (the District) as of and for the year ended June 30, 1999, 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 Northwestern Local School District, Clark County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund 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 February 4, 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

February 4 , 2000

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Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 1999

GOVERNMENTAL FUND TYPES

Account Description	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	\$1,176,786	\$376,479	\$0	\$381,567
Cash and Cash Equivalents:				
With Fiscal Agents	0	614	788	0
Receivables:				
Accounts	3,580	1,562	0	0
Intergovernmental	63,367	5,265	0	0
Interfund Receivable	4,844	0	0	0
Property & Other Local Taxes	5,121,804	0	0	144,550
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	46,283	0	0	0
Prepaid Items	7,660	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	118,167	0	0	0
Fixed Assets:				
Fixed Assets (net, where applicable, of Accum Depr)	0	0	0	0
Other Debits:				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$6,542,491</u>	<u>\$383,920</u>	<u>\$788</u>	<u>\$526,117</u>
Liabilities:				
Accounts Payable	45,946	8,620	0	0
Accrued Wages and Benefits	876,360	20,358	0	0
Compensated Absences Payable	57,971	0	0	0
Interfund Payable	0	4,844	0	0
Intergovernmental Payable	200,230	3,968	0	0
Deferred Revenue	4,349,705	0	0	123,288
Due to Students	0	0	0	0
Matured Interest Payable	0	0	788	0
Accrued Interest Payable	3,063	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	196,652	0	0	0
Total Liabilities	<u>5,729,927</u>	<u>37,790</u>	<u>788</u>	<u>123,288</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
 Reserved:				
Reserved for Encumbrances	469,221	191,398	0	28,901
Reserved for Inventory	46,283	0	0	0
Reserved for Property Taxes	775,054	0	0	21,262
Reserved for Budget Stabilization	118,167	0	0	0
 Unreserved:				
Designated	2,297	0	0	0
Unreserved, Undesignated	(598,458)	154,732	0	352,666
Total Fund Equity and Other Credits	<u>812,564</u>	<u>346,130</u>	<u>0</u>	<u>402,829</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$6,542,491</u>	<u>\$383,920</u>	<u>\$788</u>	<u>\$526,117</u>

See accompanying notes to the General Purpose Financial Statements

PROPRIETARY FUND	FIDUCIARY FUND	ACCOUNT GROUPS		Totals (Memorandum)
		General Fixed Asset Account Group (GFAAG)	General Long-Term Debt Account Group (GLTDAG)	
Enterprise	Trust and Agency			
\$47,443	36,909	\$0	\$0	\$2,019,184
0	0	0	0	1,402
385	0	0	0	5,527
10,458	0	0	0	79,090
0	0	0	0	4,844
0	0	0	0	5,266,354
3,234	0	0	0	3,234
4,213	0	0	0	50,496
0	0	0	0	7,660
0	0	0	0	118,167
11,974	0	12,902,250	0	12,914,224
0	0	0	2,423,815	2,423,815
<u>\$77,707</u>	<u>\$36,909</u>	<u>\$12,902,250</u>	<u>\$2,423,815</u>	<u>\$22,893,997</u>
488	0	0	0	55,054
25,791	0	0	0	922,509
18,380	0	0	791,706	868,057
0	0	0	0	4,844
29,304	0	0	62,931	296,433
3,875	0	0	0	4,476,868
0	33,049	0	0	33,049
0	0	0	0	788
0	0	0	0	3,063
0	0	0	1,569,178	1,569,178
0	0	0	0	196,652
<u>77,838</u>	<u>33,049</u>	<u>0</u>	<u>2,423,815</u>	<u>8,426,495</u>
0	0	12,902,250	0	12,902,250
(131)	0	0	0	(131)
0	0	0	0	689,520
0	0	0	0	46,283
0	0	0	0	796,316
0	0	0	0	118,167
0	0	0	0	2,297
0	3,860	0	0	(87,200)
(131)	3,860	12,902,250	0	14,467,502
<u>\$77,707</u>	<u>\$36,909</u>	<u>\$12,902,250</u>	<u>\$2,423,815</u>	<u>\$22,893,997</u>

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

Account Description	GOVERNMENTAL FUND TYPES				Totals (Memorandum)
	General Fund	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Intergovernmental	\$ 5,428,574	\$ 448,334	\$ 0	\$ 15,514	\$ 5,892,422
Interest	117,887	0	0	0	117,887
Tuition and Fees	69,162	13,703	0	0	82,865
Rent	4,138	0	0	0	4,138
Extracurricular Activities	0	182,309	0	0	182,309
Gifts and Donations	0	65,043	0	0	65,043
Customer Services	14	0	0	0	14
Property & Other Local Taxes	4,967,164	0	0	143,322	5,110,486
Miscellaneous	17,434	11,426	0	80,000	108,860
Total Revenues	10,604,373	720,815	0	238,836	11,564,024
Expenditures:					
Current:					
Instruction:					
Regular	4,985,263	252,379	0	31,754	5,269,396
Special	831,083	206,829	0	0	1,037,912
Vocational	335,348	0	0	0	335,348
Other	0	0	0	0	0
Support services:					
Pupils	310,430	1,778	0	0	312,208
Instructional Staff	436,027	14,369	0	0	450,396
Board of Education	18,378	0	0	0	18,378
Administration	798,558	8,510	0	13	807,081
Fiscal	261,186	0	0	2,773	263,959
Operation and Maintenance of Plant	949,614	0	0	0	949,614
Pupil Transportation	699,830	464	0	0	700,294
Central	13,681	7,926	0	0	21,607
Non-Instructional Services	0	1,355	0	0	1,355
Extracurricular activities	218,188	101,615	0	0	319,803
Capital Outlay	51,114	0	0	193,453	244,567
Debt Service					
Debt Service - Principal	84,813	0	35,000	0	119,813
Debt Service - Interest	90,029	0	1,203	0	91,232
Total Expenditures	10,083,542	595,225	36,203	227,993	10,942,963
Excess of Revenues Over (Under) Expenditure	520,831	125,590	(36,203)	10,843	621,061
Other Financing Sources and (Uses):					
Operating Transfers In	0	0	0	0	0
Proceeds from Sale of Fixed Assets	1,959	0	0	0	1,959
Refund of Prior Year Expenditures	0	0	0	0	0
Advances In	0	0	0	0	0
Other Financing Sources					
Operating Transfers Out	(14,000)	0	0	0	(14,000)
Advances Out	0	0	0	0	0
Total Other Financing Sources (Uses)	(12,041)	0	0	0	(12,041)
Excess of Rev and Other over (under) Exp and Other Financing Sources (Uses)	508,790	125,590	(36,203)	10,843	609,020
Fund Balance at Beginning of Year					
Fund Balance at Beginning of Year	218,124	308,540	67,190	360,999	954,853
Residual Equity Transfers-In	88,000	0	0	30,987	118,987
Residual Equity Transfers-Out	0	(88,000)	(30,987)	0	(118,987)
Decrease in Reserve for Inventory	(2,350)	0	0	0	(2,350)
Fund Balance at End of Year	\$ 812,564	\$ 346,130	\$ 0	\$ 402,829	\$ 1,561,523

See accompanying notes to the general purpose financial statements

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Combined Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Budget Basis)
Governmental Fund Types
For the Fiscal Year Ended June 30, 1999

Account Description	General Fund			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues (Governmental):						
Intergovernmental	\$ 5,417,305	\$ 5,417,305	\$ 0	\$ 419,736	\$ 419,736	\$ 0
Interest	117,887	117,887	0	0	0	0
Tuition and Fees	68,791	68,791	0	13,703	13,703	0
Rent	4,208	4,208	0	0	0	0
Extracurricular Activities	0	0	0	184,950	184,950	0
Gifts and Donations	0	0	0	65,043	65,043	0
Customer Services	14	14	0	0	0	0
Property & Other Local Taxes	4,758,587	4,758,587	0	0	0	0
Miscellaneous	17,434	17,434	0	10,588	10,588	0
Total Revenues	10,384,226	10,384,226	0	694,020	694,020	0
Expenditures:						
Current:						
Instruction:						
Regular	4,998,112	4,998,112	0	396,129	396,129	0
Special	797,532	797,532	0	207,489	207,489	0
Vocational	312,565	312,565	0	0	0	0
Support services:						
Pupils	385,469	385,469	0	3,589	3,589	0
Instructional Staff	432,011	432,011	0	20,222	20,222	0
Board of Education	75,150	75,150	0	0	0	0
Administration	789,894	789,894	0	8,510	8,510	0
Fiscal	261,835	261,835	0	0	0	0
Operation and Maintenance of Plant	1,185,863	1,185,863	0	100	100	0
Pupil Transportation	727,885	727,885	0	583	583	0
Central	13,681	13,681	0	7,926	7,926	0
Non-Instructional Services	0	0	0	1,355	1,355	0
Extracurricular activities	209,357	209,357	0	119,688	119,688	0
Capital Outlay	287,336	287,336	0	0	0	0
Debt Service						
Debt Service - Principal	84,711	84,711	0	0	0	0
Debt Service - Interest	14,427	14,427	0	0	0	0
Total Expenditures	10,575,828	10,575,828	0	765,591	765,591	0
Excess of Revenues Over (Under) Expenditures	(191,602)	(191,602)	0	(71,571)	(71,571)	0
Other Financing Sources and (Uses):						
Operating Transfers In	88,000	88,000	0	0	0	0
Proceeds from Sale of Fixed Assets	1,959	1,959	0	0	0	0
Advances In	173,736	173,736	0	4,844	4,844	0
Other Financing Sources	0	0	0	0	0	0
Operating Transfers Out	(14,000)	(14,000)	0	(88,000)	(88,000)	0
Advances Out	(4,844)	(4,844)	0	(12,416)	(12,416)	0
Total Other Financing Sources (Uses)	244,851	244,851	0	(95,572)	(95,572)	0
Excess of Rev and Other Financing Sources over (under) Exp and Other Financing Uses	53,249	53,249	0	(167,143)	(167,143)	0
Fund Balances at Beginning of Year	339,718	339,718	0	303,997	303,997	0
Prior Year Encumbrances Appropriated	389,234	389,234	0	39,604	39,604	0
Fund Balance at end of Year	\$ 782,201	\$ 782,201	\$ 0	\$ 176,458	\$ 176,458	\$ 0

See accompanying notes to the general purpose financial statements.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$ 0	\$ 0	\$ 0	\$ 195,105	\$ 195,105	\$ 0	\$ 6,032,146	\$ 6,032,146	\$ 0
0	0	0	0	0	0	117,887	117,887	0
0	0	0	0	0	0	82,494	82,494	0
0	0	0	0	0	0	4,208	4,208	0
0	0	0	0	0	0	184,950	184,950	0
0	0	0	0	0	0	65,043	65,043	0
0	0	0	0	0	0	14	14	0
0	0	0	139,881	139,881	0	4,898,468	4,898,468	0
0	0	0	80,000	80,000	0	108,022	108,022	0
0	0	0	414,986	414,986	0	11,493,232	11,493,232	0
0	0	0	34,404	34,404	0	5,428,645	5,428,645	0
0	0	0	0	0	0	1,005,021	1,005,021	0
0	0	0	0	0	0	312,565	312,565	0
0	0	0	0	0	0	389,058	389,058	0
0	0	0	0	0	0	452,233	452,233	0
0	0	0	0	0	0	75,150	75,150	0
0	0	0	13	13	0	798,417	798,417	0
0	0	0	2,773	2,773	0	264,608	264,608	0
0	0	0	0	0	0	1,185,963	1,185,963	0
0	0	0	0	0	0	728,468	728,468	0
0	0	0	0	0	0	21,607	21,607	0
0	0	0	0	0	0	1,355	1,355	0
0	0	0	0	0	0	329,045	329,045	0
0	0	0	219,703	219,703	0	507,039	507,039	0
35,000	35,000	0	0	0	0	119,711	119,711	0
1,203	1,203	0	0	0	0	15,630	15,630	0
36,203	36,203	0	256,893	256,893	0	11,634,515	11,634,515	0
(36,203)	(36,203)	0	158,093	158,093	0	(141,283)	(141,283)	0
0	0	0	30,987	30,987	0	118,987	118,987	0
0	0	0	0	0	0	1,959	1,959	0
0	0	0	0	0	0	178,580	178,580	0
0	0	0	0	0	0	0	0	0
(30,987)	(30,987)	0	0	0	0	(132,987)	(132,987)	0
0	0	0	(149,059)	(149,059)	0	(166,319)	(166,319)	0
(30,987)	(30,987)	0	(118,072)	(118,072)	0	220	220	0
(67,190)	(67,190)	0	40,021	40,021	0	(141,063)	(141,063)	0
67,190	67,190	0	94,735	94,735	0	805,640	805,640	0
0	0	0	217,911	217,911	0	646,749	646,749	0
\$ (0)	\$ (0)	\$ 0	\$ 352,667	\$ 352,667	\$ 0	\$ 1,311,326	\$ 1,311,326	\$ 0

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance
Proprietary Fund Type and Similar Trust Funds
For the Fiscal Year Ended June 30, 1999

Account Description	Enterprise	Non-Expendable Trust	Totals (Memorandum Only)
Operating Revenues:			
Tuition	\$ 21,714	\$ 0	\$ 21,714
Sales	335,470	0	335,470
Interest	0	190	190
Total Operating Revenues	<u>357,184</u>	<u>190</u>	<u>357,374</u>
Operating Expenses			
Salaries	184,084	0	184,084
Fringe Benefits	72,339	0	72,339
Purchased Services	11,532	0	11,532
Materials and Supplies	1,078	0	1,078
Cost of Sales	226,632	0	226,632
Depreciation	2,307	0	2,307
Other	8	0	8
Capital Outlay	0	0	0
Total Operating Expenses	<u>497,980</u>	<u>0</u>	<u>497,980</u>
Operating Income (Loss)	<u>(140,796)</u>	<u>190</u>	<u>(140,606)</u>
Non-Operating Revenues and (Expenses):			
Federal Donated Commodities	51	0	51
Interest	922	0	922
Federal and State Subsidies	88,828	0	88,828
Total Non-Operating Revenues and (Expenses):	<u>89,801</u>	<u>0</u>	<u>89,801</u>
Income (Loss) Before Operating Transfers	(50,995)	190	(50,805)
Operating Transfers-In	14,000	0	14,000
Net Income (Loss)	<u>(36,995)</u>	<u>190</u>	<u>(36,805)</u>
Retained Earnings/Fund Balance at Beginning of Year	36,864	3,670	40,534
Retained Earnings/Fund Balance at End of Year	<u>\$ (131)</u>	<u>\$ 3,860</u>	<u>\$ 3,729</u>

See accompanying notes to the general purpose financial statements

Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Types and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999

Account Description	Enterprise			Non-Expendable Trust		
	Budget	Actual	Variance	Budget	Actual	Variance
Operating Revenues:						
Tuition	\$ 21,537	\$ 21,537	\$0	\$0	\$0	\$0
Sales	335,461	335,461	0	0	0	0
Interest	922	922	0	190	190	0
Federal and State Subsidies	78,370	78,370	0	0	0	0
Total Operating Revenues	<u>436,290</u>	<u>436,290</u>	<u>0</u>	<u>190</u>	<u>190</u>	<u>0</u>
Operating Expenses						
Salaries	177,549	177,549	0	0	0	0
Fringe Benefits	70,920	70,920	0	0	0	0
Purchased Services	12,195	12,195	0	0	0	0
Materials and Supplies	252,718	252,718	0	0	0	0
Other	8	8	0	0	0	0
Capital Outlay	8,893	8,893	0	0	0	0
Total Operating Expenses	<u>522,283</u>	<u>522,283</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Operating Income (Loss)	(85,993)	(85,993)	0	190	190	0
Non-operating Revenue and Expenses						
Advances out	(12,260)	(12,260)	0	0	0	0
Operating Transfers-In	14,000	14,000	0	0	0	0
Total Non-operating Revenue and Expenses	<u>1,740</u>	<u>1,740</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Transfers Over (Under) Expenses and Advances	<u>(84,253)</u>	<u>(84,253)</u>	<u>0</u>	<u>190</u>	<u>190</u>	<u>0</u>
Fund Equity at Beginning of Year	80,500	80,500	0	3,670	3,670	0
Prior Year Encumbrances Appropriated	31,538	31,538	0	0	0	0
Fund Equity at End of Year	<u>\$ 27,785</u>	<u>\$ 27,785</u>	<u>\$ 0</u>	<u>\$ 3,860</u>	<u>\$ 3,860</u>	<u>\$ 0</u>

See accompanying notes to the general purpose financial statements

Combined Statement of Cash Flows
Proprietary Fund Type and Nonexpendable Trust Fund
For the Fiscal Year Ended June 30, 1999

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$356,998	\$0	\$356,998
Cash Payments for Employee Services and Benefits	(248,469)	0	(248,469)
Cash Payments to Suppliers for Goods and Services	(253,870)	0	(253,870)
Other Operating Expenses	(8)		(8)
Net Cash Used In Operating Activities	<u>(145,349)</u>	<u>0</u>	<u>(145,349)</u>
Cash Flows from Noncapital Financing Activities:			
Advances - Out	(12,260)	0	(12,260)
Transfers - In	14,000	0	14,000
Federal and State Subsidies Received	78,370	0	78,370
Net Cash Provided By Noncapital Financing Activities	<u>80,110</u>	<u>0</u>	<u>80,110</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(279)	0	(279)
Net Cash Used In Capital and Related Financing Activities	<u>(279)</u>	<u>0</u>	<u>(279)</u>
Cash Flows from Investing Activities:			
Interest	922	190	1,112
Net Cash Provided By Investing Activities	<u>922</u>	<u>190</u>	<u>1,112</u>
Net Increase in Cash and Cash Equivalents	(64,596)	190	(64,406)
Cash and Cash Equivalents Beginning of Year	<u>112,039</u>	<u>3,670</u>	<u>115,709</u>
Cash and Cash Equivalents End of Year	<u>\$47,443</u>	<u>\$3,860</u>	<u>\$51,303</u>
Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:			
Operating Income (Loss)	(\$140,797)	\$190	(\$140,607)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:			
Depreciation	2,307	0	2,307
Donated Commodities Used	51	0	51
Nonexpendable Trust Funds Interest	0	(190)	(190)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(186)	0	(186)
Decrease in Inventory Held for Resale	1,037	0	1,037
Increase Supplies Inventory	(1,983)	0	(1,983)
Decrease in Prepaid Items	2,374	0	2,374
Decrease in Accounts Payable	(13,732)	0	(13,732)
Increase in Accrued Salaries Payable	932	0	932
Increase in Intergovernmental Payable	2,591	0	2,591
Increase in Compensated Absences Payable	2,057	0	2,057
Net Cash Used In Operating Activities	<u>(\$145,349)</u>	<u>\$0</u>	<u>(\$145,349)</u>
Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet			
Cash and Cash Equivalents-All Fiduciary Funds		\$36,909	
Cash and Cash Equivalents-Agency and Expendable Trust Funds		(33,049)	
Cash and Cash Equivalents-Nonexpendable Trust Funds		<u>\$3,860</u>	

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Northwestern Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District is located in Clark County and is the 285th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 68 non-certificated employees, 123 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,945 students and other community members.

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Northwestern Local School District, this includes general operations, food service, preschool and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes for the organization. The District has no component units.

The School District is associated with four jointly governed organizations and one insurance purchasing risk pool. These organizations are discussed in Note 19 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Miami Valley Educational Computer Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- Clark County Family and Children First Council

Group Purchasing Risk Pool:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northwestern Local School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1999, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are 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 or trust funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include nonexpendable trust and agency funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have any contributed capital. Proprietary fund and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and 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. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interest, tuition, grants, and student fees.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

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 the governmental funds.

The proprietary fund type utilizes the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. Budgetary information for the Preschool and Drug Free Grant, Special Revenue Funds is not reported because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain separate budgetary information. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit 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. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Clark County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected the School District Treasurer identifies increases or decreases in revenue.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Estimated Resources: (Continued)

The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. The Board of Education determines the District's legal level of control through passage of the appropriation resolution, which was at the fund, function level. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, four supplemental appropriations were legally enacted. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agents" and represents deposits. In addition, the balance of various grant activities administered by the fiscal agent is presented on the combined balance sheet as "Cash Equivalents with Fiscal Agents" and also represents deposits.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

During fiscal year 1999, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 that is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$117,887, which includes \$3,193 assigned from other School District funds. The nonexpendable trust fund also received interest revenue of \$190.

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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and non-foods supplies and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$250. The School District does not have 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Teacher Development Grant
- Raising the Bar Grant
- Library Grant
- Family and School Partnership
- Eisenhower Grant
- Goals 2000 Intervention
- Data Communications
- Textbook Subsidy
- Preschool
- Drug Free Schools
- E-Rate

Capital Projects Funds

- Permanent Improvements
- School Net Plus

Reimbursable Grants

General Fund

- Driver Education

Enterprise Fund

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 51 percent of governmental fund revenue during the 1999 fiscal year.

I. Compensated Absences

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Capital leases are reported as a liability of the general long-term debt account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

M. Fund Balance Reserves

The School 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, budget stabilization, and donations for nonexpendable trust funds.

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. The reserve for donations signifies the legal restrictions on the use of principal.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves (Continued)

Fund Designations

The School district designates fund balance to indicate tentative planned expenditures of financial resources. The designations reflect the school district's intentions, are subject to change and are reported as part of unreserved fund balance. Fund designations are established for budget stabilization.

The designation for budget stabilization represents money set-aside for budget stabilization in excess of statutory requirements.

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination has not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

At June 30, 1999, the Title I Special Revenue Fund and the Latchkey Enterprise Fund have deficit fund balance/retained earnings of \$6,552, and \$2,788, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The deficit in the Enterprise Fund is a result of expenses exceeding tuition. The School District will continue to monitor this deficit and has raised tuition to eliminate the deficit in the future.

The General, Special Revenue, Debt Service, Capital Project, and Enterprise Funds had expenditures exceeding appropriations at the fund, function, which is the legal level of budgetary control adopted by the District. A sample follows: (as of April 30, 1999)

General Fund	Appropriations	Expenditures	Excess
Building Acquisition And Construction	\$30,500	\$158,195	\$127,695

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Budget Basis) and Actual - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Budget Basis) and Actual - Proprietary Fund Type and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The school district does not budget for the activities of various grants administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to Northwestern Local School District are included in the special revenue funds activity for GAAP reporting purposes.

Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transaction.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and other Financing Uses
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$508,790	\$125,590	(\$36,203)	\$10,843
Revenue Accruals	(220,147)	(2,835)	0	176,150
Expenditure Accruals	(41,289)	7,682	0	0
Prepaid Items	61,756	0	0	0
Transfers in	88,000	0	0	30,987
Transfers out	0	(88,000)	(30,987)	0
Advances in	173,736	4,844	0	0
Advances out	(4,844)	(12,416)	0	(149,059)
Non-budgeted Fund Activity	0	(1,991)	0	0
Encumbrances	(512,753)	(200,017)	0	(28,900)
Budget Basis	<u>\$53,249</u>	<u>(\$167,143)</u>	<u>(\$67,190)</u>	<u>\$40,021</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

**Net Income (Loss)/Excess of Revenues and Operating Transfers Over (Under) Expenses
Proprietary Fund Type and Nonexpendable Trust Fund**

	Enterprise	Nonexpendable Trust
GAAP Basis	(\$36,996)	\$190
Revenue Accruals	(10,644)	0
Expense Accruals	(5,296)	0
Materials and Supplies	1,983	0
Inventory Held for Resale	(1,037)	0
Capital Outlay	(279)	0
Prepaid Items	(2,374)	0
Depreciation	2,307	0
Advances out	(12,260)	0
Encumbrances	(19,658)	0
Budget Basis	\$(84,254)	\$190

NOTE 5 - DEPOSITS AND INVESTMENT

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School 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 of Education 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. Time certificates of deposit maturing not more than one year from the date of deposit, or must evidence interim deposits by savings or deposit accounts including passbook accounts.

Protection of School 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.

State statute permits interim monies to 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 any other obligations 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 issuance of federal government agencies or instrumentalities;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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;
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 only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of tax exempt 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 School 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.

During fiscal year 1999, investments were limited to STAR Ohio. All investments of the District had maturity of two years or less.

Cash on Hand: At year end, the School District did not have any undeposited cash on hand.

The "Cash and Cash Equivalents with Fiscal Agent" of \$614 shown in the special revenue funds is maintained with the Clark County Educational Service Center. GASB No. 3 disclosures regarding this amount can be obtained from their annual report.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,074,440 and the bank balance was \$1,323,073. Of the bank balance, \$275,016 was covered by federal depository insurance and \$1,048,057 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the School District or its agent in the School District's name holds the securities. Category 2 includes uninsured and unregistered investments that are held by the counterparty's trust department or agent in the School 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 School District's name.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

The only School District investment at year end was STAR Ohio, an investment pool operated by the Ohio State Treasurer. It is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The School District's investment in Star Ohio had a market value of \$1,063,699 at June 30, 1999.

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. Reconciliation 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/Deposits	Investments
GASB Statement 9	\$2,138,753	\$0
Investment:		
STAR Ohio	(1,063,699)	1,063,699
Cash at ESC	(614)	0
	<u>\$1,074,440</u>	<u>\$1,063,699</u>
GASB Statement 3	<u>\$1,074,440</u>	<u>\$1,063,699</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true 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.

Tangible personal property taxes 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

The School District receives property taxes from Clark and Champaign Counties. The Clark County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, is intended to finance current year operations. 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 at June 30, 1999 was \$796,316 and is recognized as revenue. \$775,054 was available to the general fund and \$21,262 was available to the permanent improvement fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$122,716,930	82.98%	\$141,678,120	84.18%
Public Utility Personal	8,479,740	5.73	8,904,210	5.29
Tangible Personal Property	<u>16,693,882</u>	<u>11.29</u>	<u>17,720,441</u>	<u>10.53</u>
Total Assessed Value	<u>\$147,890,552</u>	<u>100.00%</u>	<u>\$168,302,771</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$36.27		\$35.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (student fees), and interfund and intergovernmental grants. 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 fiscal year guarantee of federal funds.

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$116,506
Less Accumulated Depreciation	<u>(104,532)</u>
Net Fixed Assets	<u>\$11,974</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - FIXED ASSETS (Continued)

A summary of the change in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$323,366	\$192,028	\$0	\$515,394
Buildings	9,050,970	106,595	0	9,157,565
Vehicles	1,038,943	36,700	24,577	1,051,066
Furniture and Equipment	2,001,445	203,984	27,204	2,178,225
Total General Fixed Assets	<u>\$12,414,724</u>	<u>\$539,307</u>	<u>\$51,781</u>	<u>\$12,902,250</u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide for property, general liability, professional and fleet insurance. Coverage provided by Nationwide is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$24,219,300
Boiler and Machinery (\$250 deductible)	30,000,000
Automobile Liability (\$250 deductible)	1,000,000
Professional Liability (no deductible)	
Single Occurrence	1,000,000
Aggregate	5,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management of Ohio provides administrative, cost control, and actuarial services to the GRP.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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. 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, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$95,156, \$47,168, and \$50,202; 43.83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$53,453 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

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

For fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$276,256, \$120,959, and \$213,437; 80.71 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$53,314 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year ended 1998. For the School District, this amount equaled \$376,490 for fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$98,845 during the 1999 fiscal year.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for all personnel. Upon retirement, payment is made for 25 percent for teachers and 25 percent for other employees of accrued, but unused sick leave credit to a maximum of 53 days for certified employees.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Core Source. Medical/surgical benefits are provided through United Health Care and dental insurance through EPC Benefits Plan Trust.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into Capitalized Leases for copiers and an addition to the Elementary School.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reported as program/function expenditures on a budgetary basis.

A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 1999 totaled \$84,813 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTDAG
2000	156,227
2001	158,087
2002	149,027
2003	145,415
2004	146,608
2005	147,466
2006	148,005
2007	148,264
2008	148,210
2009	147,838
2010	147,168
2011	146,196
2012	145,013
2013	148,393
2014	97,446
Total	\$2,179,363
Less: Amount Representing Interest	<u>(610,185)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$1,569,178</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 14 - NOTE DEBT

As of June 30, 1999, the School District had an outstanding energy conservation loan payable.

The changes in the School District's short-term obligations during fiscal year 1999 were as follows:

	<u>Principal Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/99</u>
Energy Conservation Loan 1993 4.96%	\$68,078	0	\$13,615	\$54,463
Energy Conservation Loan 1996 5.17%	<u>213,285</u>	<u>0</u>	<u>71,096</u>	<u>142,189</u>
Total Short-Term Obligations	<u><u>\$281,363</u></u>	<u><u>\$0</u></u>	<u><u>\$84,711</u></u>	<u><u>\$196,652</u></u>

Energy Conservation Loan 1993

On June 18, 1993, Northwestern Local School district issued \$136,155 in unvoted General obligation notes for the purpose of providing energy conservation measures for the Northwestern Local School District, under authority of the Ohio Revised Code sections 133.06(g) and 3313.372. The notes were issued for seven year period with final maturity during fiscal year 2000. The notes will be retired from the General Fund.

Energy Conservation Loan 1996

On May 6, 1996, Northwestern Local School district issued \$355,475 in unvoted General obligation notes for the purpose of providing energy conservation measures for the Northwestern Local School District, under authority of the Ohio Revised Code sections 133.06(g) and 3313.372. The notes were issued for five year period with final maturity during fiscal year 2001. The notes will be retired from the General Fund.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 1999, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	125,557	10,047	135,604
2001	<u>71,095</u>	<u>3,676</u>	<u>74,771</u>
Total	<u><u>\$196,652</u></u>	<u><u>\$13,723</u></u>	<u><u>\$210,375</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Amount Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/99</u>
School Improvement Bond 1985 5.87%	\$35,000	0	35,000	0
Capital Leases	1,653,991	0	84,813	1,569,178
Intergovernmental Payable	66,451	62,931	66,451	62,931
Compensated Absences	758,028	33,678	0	791,706
Total General Long-Term Obligations	<u>\$2,513,470</u>	<u>\$96,609</u>	<u>\$186,264</u>	<u>\$2,423,815</u>

The general obligation bond was paid from the Bond Retirement Debt Service Fund. Capital leases will be paid from the General Fund. Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$15,147,249 with an unvoted debt margin of \$168,303 at June 30, 1999.

NOTE 16 - INTERFUND RECEIVABLES/PAYABLES

At June 30, 1999, the following fund had Interfund Payables:

Special Revenue	Eisenhower Grant	\$2,796
	Library Grant	2,048

The General fund had and Interfund Receivable of \$4,844.

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 1999, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining</u>
Environmental Engineering	Elementary Addition	\$50,623
Mulhall-Becker Construction	Elementary Addition	62,500
PDQ Electric	Elementary Addition	18,969

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 18 - SEGMENT INFORMATION

The School District maintains two enterprise funds to account for the operations of food service and latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999:

	Food Service	Latchkey	Total Enterprise
Operating Revenues	\$335,470	\$21,714	\$357,184
Depreciation	2,016	291	2,307
Operating Loss	(139,736)	(1,060)	(140,796)
Donated Commodities	51	0	51
Federal and State Subsidies	88,828	0	88,828
Other Non-Operating Revenue	922	0	922
Net Loss	(49,935)	(1,060)	(50,995)
Fixed Asset Additions	279	0	279
Fixed Asset Deletions	12,572	0	12,572
Net Working Capital (Deficit)	7,832	(1,557)	6,275
Long-Term Liabilities Payable from Revenue	15,983	2,397	18,380
Total Assets	75,668	2,039	77,707
Total Equity (Deficit)	2,657	(2,788)	(131)
Encumbrances Outstanding at June 30	19,228	430	19,658

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. 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.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$22,953 for services provided during the year.

Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL
(Continued)**

A. Jointly Governed Organizations (Continued)

Each member district has one voting representative. The Fiscal Agent holds title to any and all equipment, furniture and supplies purchased by the SOEPC in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 1999, the School District paid its medical insurance through the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. The qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren, elect from nineteen representatives within the counties. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. All Superintendents, except for those from educational service centers, vote on the representatives after the nominating committee nominates individuals to run. The non-public school SOITA members in the State assigned SOITA service area elect one at-large non-public representative. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the School District paid \$4,197 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Clark County Family and Children First Council - The Clark County Family and Children First Council (the Council) is a voluntary association established with the purpose to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who was appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Northwestern Local School District does not pay any dues since the Clark County Educational Service Center represents the District. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 6 West High Street, Suite 500, Springfield, Ohio 45502.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL
(Continued)**

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 20 - SCHOOL FUNDING COURT DECISION

On March 24, 1998, 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 School District. During the fiscal year ended June 30, 1999, the School District received \$4,772,208 in school foundation basic allowance support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County is currently reviewing the new laws to determine whether they are constitutional under the "thorough and efficient" clause of the Ohio Constitution. According to the Ohio attorney general's office, a decision is expected from the Perry County Court sometime in early calendar 1999; either party then has the right to appeal that decision directly to the Ohio Supreme Court. Any decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the School 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.

NOTE 21 - CONTINGENCIES

The School 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 School District at June 30, 1999.

NOTE 22.- SET-ASIDE CALCULATIONS AND FUND RESERVES

The School 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 School District is also required to set aside money for budget stabilization.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 22.- SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$39,318	\$39,318
Current Year Set-aside Requirement	157,698	157,698	78,849	394,245
Current Year Offsets	(28,858)	(250,868)	0	(279,726)
Qualifying Disbursements	(191,552)	(328,935)	0	(520,847)
Additional Money Set-aside	0	0	2,297	2,297
Total	<u>(\$62,712)</u>	<u>(\$422,105)</u>	<u>\$120,464</u>	<u>(\$364,353)</u>
Cash Balance Carried Forward to FY 2000	0	0	120,464	120,464
Less Additional Money Set-aside	0	0	2,297	2,297
Total Restricted Assets	<u>\$0</u>	<u>\$0</u>	<u>\$118,167</u>	<u>\$118,167</u>

The School District also set-aside additional money in excess of statutory requirements for budget stabilization. This amount is presented on the balance sheet as a designation of fund balance rather than as a reserve, and is therefore not included in the restricted fund balance.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Cash In Lieu of Commodities	N/A	10.550	\$20,341		\$20,341	
Food Distribution Program	N/A	10.550	0	0	0	51
National School Lunch Program	03-PU-98	10.555	4,053	0	4,053	0
	03-PU-99		18,334	0	18,334	0
	04-PU-98		5,468	0	5,468	0
	04-PU-99		28,080	0	28,080	0
Total National School Lunch Program			<u>55,935</u>	<u>0</u>	<u>55,935</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>76,276</u>	<u>0</u>	<u>76,276</u>	<u>51</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-99	84.010	111,225	0	102,051	0
	C1-S1-98			0	19,749	0
Total Title I			<u>111,225</u>	<u>0</u>	<u>121,800</u>	<u>0</u>
Innovative Educational Program Strategies	C2-S1-98	84.298	0	0	5,023	0
	C2-S1-99		7,262	0	3,098	0
Total Innovative Educational Program Strategies			<u>7,262</u>	<u>0</u>	<u>8,121</u>	<u>0</u>
Special Education Grants to States (IDEA Part B)	6B-SF-98P	84.027	0	0	4,896	0
	6B-SF-99P		77,568	0	77,568	0
Total IDEA Part B			<u>77,568</u>	<u>0</u>	<u>82,464</u>	<u>0</u>
Goals 2000 State and Local Systemic Improvement	G2-S2-99	84.276	5,000	0	5,000	0
	G2-S4-00		3,000	0	1,479	0
Total Goals 2000			<u>8,000</u>	<u>0</u>	<u>6,479</u>	<u>0</u>
Tech Literacy Challenge Fund	TF-31-99P	84.318	150,000	0	471	0
<i>Passed Through Clark County Educational Service Center:</i>						
Title II - Education for Economic Security	MS-S1-96	84.164	2,271	0	1,932	0
	MS-S1-98		4,180	0	4,488	0
Total Title II			<u>6,451</u>	<u>0</u>	<u>6,420</u>	<u>0</u>
<i>Direct receipt:</i>						
Telecommunications Act Grant	N/A	84.xxx	3,510	0	3,510	0
Total U. S. Department of Education			<u>364,016</u>	<u>0</u>	<u>229,265</u>	<u>0</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
<i>Passed Through State Library of Ohio</i>						
State Library Program	N/A	45.310	12,637	0	11,348	0
Total Federal Assistance			<u>\$452,929</u>	<u>\$0</u>	<u>\$316,889</u>	<u>\$51</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northwestern Local School District
Clark County
5610 Troy Road
Springfield, Ohio 45502

To the Board of Education:

We have audited the financial statements of Northwestern Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 4, 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*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 4, 2000.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 1999-10312-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted a matter involving the internal controls over financial reporting that does not require inclusion in this report, that we have reported to management in a separate letter dated February 4, 2000.

This report is intended for the information and use of the management, 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

February 4, 2000



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Northwestern Local School District
Clark County
5610 Troy Road
Springfield, Ohio 45502

To the Board of Education:

Compliance

We have audited the compliance of Northwestern Local School District, Clark 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 are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

February 4, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30,1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30,1999
(Continued)

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

FINDING NUMBER	1999-10312-001
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STUDENT ACTIVITY RECORDS

The School District did not maintain documentation to support student managed activities. The results of our test revealed the following weakness:

- Sales potential forms were not prepared for fund raising activities.
- Financial activity maintained by the advisor was not being reconciled to the treasurer's monthly account summary reports.
- Documentation to support receipts was not maintained .
- Reconciliations between expected and actual receipts were not being prepared

Failure to follow control procedures and maintain complete and accurate supporting documentation could result in activity being misstated, allow activity assets to be misused or allow unauthorized fund raising activities. To reduce risk the District should:

- Require a sales potential form be completed for each sales event. This form should include a description of the sales event, an estimate of money to be raised, the cost and sale price of items sold. This form should be approved by building principal and treasurer.
- Student activity advisors should maintain an accounting of the financial activity and perform monthly reconciliations to the financial information provided by the treasurer. Any discrepancies should be communicated to the treasurer's office immediately
- Documentation to support financial activity maintained in the ledger described above should be supported by documentation such as receipts, invoices, etc.
- At the end of each sales event a reconciliation of expected and actual revenue should be performed.

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30,1999**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-10312-001	District did not maintain documentation to support student managed activities	No	Written procedures were given to activity advisors in the spring of 1999. A meeting was held at the beginning of the 1999-2000 school year to provide all student activity advisors with a "student Activity notebook". At this mandatory meeting administration and advisors reviewed the various procedures and requirements contained in the notebook. This should make a major improvement in compliance.



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NORTHWESTERN LOCAL SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2000**