

NORTHWESTERN LOCAL SCHOOL DISTRICT

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Governmental Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Northwestern Local School District
West Salem, Ohio

We have reviewed the *Report of Independent Accountants* of the Northwestern Local School District, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northwestern Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 16, 2006

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NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
Audit Report
For the year ended June 30, 2005

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Northwestern Local School District
West Salem, Ohio 44287

We have audited the accompanying financial statements of the Northwestern Local School District (the District), as of and for the year ended June 30, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

In our opinion, the accompanying financial statements do not present fairly, the financial position, results of operations, and cash flows, where applicable, of Northwestern Local School District as of and for the year ended June 30, 2005 in accordance with accounting principles generally accepted in the United States of America.

The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have issued our report dated November 15, 2005, on our consideration of Northwestern Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or compliance. That report is the integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2005, or the changes in financial position or its cash flows for the year then ended. Therefore, we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Charles E. Harris & Associates, Inc.
November 15, 2005

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2005

	Governmental Fund Types				Fiduciary	(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
CASH RECEIPTS:						
Taxes	\$ 3,506,368	\$ 47,139	\$ 843,264	\$ 204,901	\$ -	\$ 4,601,672
Intergovernmental	6,395,208	558,967	103,275	24,036	-	7,081,486
Investment Income	31,902	4,907	-	37,475	2,733	77,017
Tuition and Fees	435,044	-	-	-	-	435,044
Extracurricular Activities	-	307,288	-	-	5,237	312,525
Miscellaneous	55,896	39,819	-	15,127	1,626	112,468
Total Cash Receipts	10,424,418	958,120	946,539	281,539	9,596	12,620,212
CASH DISBURSEMENTS:						
Instruction:						
Regular	4,764,129	36,392	-	-	-	4,800,521
Special	691,407	449,367	-	-	-	1,140,774
Vocational	533,450	6,179	-	-	-	539,629
Other	309,338	-	-	-	-	309,338
Support Services:						
Pupils	321,677	154,058	-	-	-	475,735
Instructional Staff	465,068	53,646	-	-	1,817	520,531
Board of Education	40,216	-	-	-	-	40,216
Administration	768,255	34,150	-	-	-	802,405
Fiscal	244,381	17,464	17,190	4,267	-	283,302
Operation of Maintenance and Plant	907,794	62,314	-	-	-	970,108
Pupil Transportation	903,994	2,507	-	-	-	906,501
Central	26,484	27,824	-	-	-	54,308
Operation of Non-Instructional Service	1,200	1,763	-	-	7,647	10,610
Extracurricular Activities	216,488	183,842	-	-	-	400,330
Capital Outlay	-	-	-	717,511	-	717,511
Debt Service:						
Retirement of Principal	-	-	335,000	-	-	335,000
Interest and Fiscal Charges	-	-	418,280	-	-	418,280
Total Cash Disbursements	10,193,881	1,029,506	770,470	721,778	9,464	12,725,099
Cash Receipts Over/(Under) Cash Disbursements	230,537	(71,386)	176,069	(440,239)	132	(104,887)
Other Financing Sources (Uses)						
Operating Transfers In	-	57,000	81,555	-	-	138,555
Operating Transfers Out	(138,555)	-	-	-	-	(138,555)
Total Other Financing Sources (Uses)	(138,555)	57,000	81,555	-	-	-
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses						
	91,982	(14,386)	257,624	(440,239)	132	(104,887)
Fund Cash Balance, July 1, 2004	1,260,119	259,881	977,226	973,297	136,267	3,606,790
Fund Cash Balance, June 30, 2005	\$ 1,352,101	\$ 245,495	\$ 1,234,850	\$ 533,058	\$ 136,399	\$ 3,501,903

See Accompanying Notes to the Financial Statements

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2005**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>		<u>(Memorandum Only) Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>Agency</u>	
OPERATING CASH RECEIPTS:					
Food Services	\$ 257,363	\$ -	\$ -	\$ -	257,363
Charges for Services	-	93,520	-	5,397,711	5,491,231
Donations	-	-	500	-	500
Extracurricular Activities	-	-	-	57,164	57,164
Total Operating Cash Receipts	257,363	93,520	500	5,454,875	5,806,258
OPERATING CASH DISBURSEMENTS					
Salaries	151,839	-	-	5,500	157,339
Fringe Benefits	78,088	-	-	4,897,233	4,975,321
Purchased Services	11,194	102,489	-	680,382	794,065
Materials and Supplies	161,337	-	-	-	161,337
Capital Outlay	861	-	-	-	861
Scholarships	-	-	940	-	940
Other Operating Expenses	-	-	-	57,588	57,588
Total Operating Cash Disbursements	403,319	102,489	940	5,640,703	6,147,451
Operating Income (Loss)	(145,956)	(8,969)	(440)	(185,828)	(341,193)
NON OPERATING CASH RECEIPTS (DISBURSEMENTS)					
Federal and State Subsidies	179,070	-	-	-	179,070
Interest	1,247	330	131	28,270	29,978
Miscellaneous	1,397	-	-	-	1,397
Total Non Operating Cash Receipts (Disbursements)	181,714	330	131	28,270	210,445
Excess of Cash Receipts Over/(Under) Cash Disbursements	35,758	(8,639)	(309)	(157,558)	(130,748)
Fund Cash Balance, July 1, 2004	89,900	26,768	8,425	1,599,244	1,724,337
Fund Cash Balance, June 30, 2005	\$ 125,658	\$ 18,129	\$ 8,116	\$ 1,441,686	\$ 1,593,589

See Accompanying Notes to the Financial Statements

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Northwest Local School District, Wayne County, Ohio, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members and is responsible for providing public education to residents of the District.

Average daily membership on, or as of, October 1, 2004 was 1,466. The District employs 101 certified and 71 non-certified employees. The District is supervised by the Tri-County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code 117-2-03 to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the District has chosen to prepare its financial statements on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipt and cash disbursement basis of accounting. Receipts are recognized when received and cash rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

C. CASH

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

D. FUND ACCOUNTING

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

Governmental Funds

1. General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue

Special Revenue funds used to account for the proceeds of special revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes. The significant Special Revenue Funds are the Title I Fund and Title VI-B.

3. Debt Service

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

4. Capital Projects

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 or non-expendable trust funds. The significant Capital Projects Fund is the permanent Improvement Fund.

Proprietary Funds

5. Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

The significant Enterprise Fund is the Food Service Fund.

6. Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis. The significant Internal Service Fund is the Self-Insurance Fund.

Fiduciary Funds

7. Expendable Trust Funds

Expendable Trust Funds are used to account for resources restricted by legally binding trust agreements. The significant Expendable Trust Fund is the Leo Welty Scholarship Fund.

8. Non-expendable Trust Funds

Non-expendable Trust Funds are used accounted for in the same manner as proprietary fund types. There is only one Non-Expendable Trust Fund.

9. Agency Funds

Agency Funds are used account for assets held by the District, as an agent for individuals, private organizations or other governmental units and/or other funds. The significant Agency Fund is the Wayne County Schools Council Fund.

E. BUDGETARY PROCESS

1. Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the Wayne County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Appropriations

An appropriation measure is adopted by the District on or before the first day of July in each year for the period July 1 to June 30 of the following year. The appropriation measure is submitted to the County Auditor, who in turn, submits it to the County Budget Commission. The appropriation measure controls expenditures of the District. The District may, by resolution, transfer funds from one line item to another in the appropriation measure, reduce or increase any item, create new items, and make additional appropriations, subject to availability of funds and to the approval of the County Budget Commission. The District's legal level of control is set at the fund and function level. The budget figures in Note 3 represent the final appropriation amounts including all amendments and modifications.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

3. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

A summary of 2005 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

2. CASH AND INVESTMENTS

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year, all investments were limited to Federal agency bonds and notes, certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, Special Trust Fund, Capital Projects Fund, Enterprise Fund, Internal Service and Private-Purposes Trust Fund, as authorized by board resolution. Interest income earned in fiscal year 2005 totaled \$106,995.

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2005</u>
Demand Deposits	\$126,636
STAR-Ohio	4,957,856
Certificate of Deposit	11,000
Total Deposit and Investments	\$5,095,492

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2005 is as follows:

	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>Receipts</u>	<u>Receipts</u>	
General	\$10,455,653	10,424,418	\$(31,235)
Special Revenue	1,315,111	1,015,120	(299,991)
Debt Service	954,275	1,028,094	73,819
Capital Projects	538,911	281,539	(257,372)
Enterprise	408,738	439,077	30,339
Internal Service	88,000	93,850	5,850
Fiduciary	14,305	10,227	(4,078)
Total	\$13,774,993	\$13,292,325	\$(482,668)

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

3. BUDGETARY - (continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

	<u>Appropriation</u>	<u>Actual</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$10,332,436	\$10,332,436	\$-
Special Revenue	1,029,506	1,029,506	-
Debt Service	770,470	770,470	-
Capital Projects	721,778	721,778	-
Enterprise	403,319	403,319	-
Internal Service	102,489	102,489	-
Fiduciary	<u>10,404</u>	<u>10,404</u>	<u>-</u>
Total	<u>\$13,370,402</u>	<u>\$13,370,402</u>	<u>\$ -</u>

4. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Wayne and Ashland County Auditors at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2002; an update will be done in 2005. The next revaluation is scheduled for 2008.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Wayne and Ashland County Treasurers collects property taxes on behalf of the District. The Wayne and Ashland County Auditors remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

The full tax rate at the fiscal year ended June 30, 2005 for operations was \$23.60 per \$1,000 of assessed valuation, permanent improvements, \$2.80 per \$1,000 of assessed valuation and bond debt service, \$8.50 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2005 taxes were collected were as follows:

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

4. PROPERTY TAXES - (continued)

	<u>Wayne County</u>	
	<u>2004</u>	<u>2003</u>
Real Property		
Residential/Agricultural	\$88,004,610	\$86,196,710
Commercial/Industrial/Public Utilities	12,980,570	8,129,990
Tangible Personal Property		
General	6,626,446	7,108,788
Public Utilities	<u>5,499,010</u>	<u>5,636,860</u>
Total Valuation	<u>\$113,110,636</u>	<u>\$107,072,348</u>
	<u>Ashland County</u>	
	<u>2004</u>	<u>2003</u>
Real Property		
Residential/Agricultural	\$4,765,040	\$4,609,680
Commercial/Industrial/Public Utilities	110,260	90,320
Tangible Personal Property		
General	36,126	57,150
Public Utilities	<u>609,440</u>	<u>590,700</u>
Total Valuation	<u>\$5,520,866</u>	<u>\$5,347,850</u>

5. 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, 300 E. Broad Street, Columbus, Ohio 43215.

Plan members are required to contribute 10 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 the fiscal year 2005, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$233,412, \$224,700 and \$224,004, respectively; 100 percent for all fiscal years.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

5. DEFINED BENEFIT PENSION PLANS - (continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employer 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. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO

Notes To The Financial Statements
For the Year Ended June 30, 2005

5. DEFINED BENEFIT PENSION PLANS - (continued)

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salary. The School District is required to contribute 14 percent; 13% was the portion used to fund pension obligations. Effective July 1, 2003, the member contribution rate increased to a statutory maximum of 10 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employers contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$713,916, \$676,632, and \$682,860, respectively; 100 percent has been contributed for all fiscal years.

6. 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. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care costs in the form of a monthly premium. 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 year ended June 30, 2004 (the latest information available) the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$50,994 during fiscal 2005.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. A portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below the federal poverty levels. Premiums are reduced by 50% for those who apply.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

6. POSTEMPLOYMENT BENEFITS - (continued)

For the year ended June 30, 2004 (the latest information available) employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 ended June 30, 2004, the minimum pay has been established at \$25,400. 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$104,701 during the 2005 fiscal year.

7. GENERAL LONG-TERM DEBT OBLIGATIONS

	<u>Outstanding June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2005</u>
General Obligation Bonds				
1.5% to 5.75%	\$2,995,000	-	\$25,000	\$2,970,000
4.5% to 7.2%	1,500,000	-	175,000	1,325,000
Notes Payable HB264- 5.6%	75,000	-	75,000	-
Various Improvement Bonds				
3.00% Due July 1, 2023	<u>3,535,000</u>	<u>-</u>	<u>60,000</u>	<u>3,475,000</u>
	<u>\$8,105,000</u>	<u>-</u>	<u>\$335,000</u>	<u>\$7,770,000</u>

Outstanding general obligation bonds consist of school building construction issues and school bus issues. General obligation bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

On October 15, 2003, the District issued \$2,995,000 refunded general obligation bonds. The proceeds of the bonds were used to refund in advance of their maturity the December 1, 2006 and December 1, 2016 maturities totaling \$2,995,000 of the District's general obligation bonds, Series 1994. This refunding was done to achieve interest cost savings. Proceeds of the bonds were used to establish an irrevocable escrow account. Funds in the escrow account were invested in special direct obligations of the United States Treasury or other obligations of the United States government or its agencies. The escrow securities and their earnings are structured to pay the principal and interest on the refunded 1994 bonds as such payments become due, until the call dates of the respective refunded bonds, at which time the escrow pay will pay the principal of the refunded bonds at a price of par plus interest. Since these bonds have been placed in irrevocable trust, they are considered defeased for these financial statements. The advance refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of \$357,935. The economic gain is \$254,510. The annual requirement to amortize all debt outstanding as of June 30, 2005:

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

7. GENERAL LONG TERM OBLIGATIONS - (continued)

Year Ending <u>June 30,</u>	School Improvement <u>Bonds</u>	School Improvement <u>Bonds</u>	Various Improvement <u>Bonds</u>	<u>Total</u>
2006	\$277,040	\$165,880	\$281,213	\$724,133
2007	81,720	367,968	281,964	731,652
2008	313,080	155,943	282,350	751,373
2009	319,900	154,643	277,460	752,703
2010	334,560	154,443	277,313	766,316
2011-2015	341,880	2,178,923	1,398,966	3,919,769
2016-2020	-	1,074,369	1,383,475	2,457,844
2021-2025	-	-	1,382,830	1,382,830
Total Principal and Interest	1,668,180	4,252,169	5,565,571	11,485,920
Less Interest	343,180	1,282,169	2,090,571	3,715,920
Total Principal	<u>\$1,325,000</u>	<u>\$2,970,000</u>	<u>\$3,475,000</u>	<u>\$7,770,000</u>

8. SET ASIDES

The District is required by State statute to annually set aside monies for purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. The District chose not to carry forward the negative balance for the textbooks. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	Budget Stabilization <u>Reserve</u>	Capital Improvement <u>Reserve</u>	Textbook/Instructional Material <u>Reserve</u>	<u>Total</u>
Set Aside Balance as of June 30, 2004	\$172,311	-	-	\$172,311
Current Year Set Aside Requirement	-	\$202,141	\$202,141	\$404,282
Qualifying Disbursements	-	(294,127)	(218,000)	(512,127)
Total	<u>\$172,311</u>	<u>\$(91,986)</u>	<u>\$(15,859)</u>	<u>\$64,466</u>
Cash Balance Carried Forward to FY 2006	<u>\$172,311</u>	-	-	<u>\$172,311</u>
Amount to Restrict for Set A Asides				<u>172,311</u>
Total Restricted Assets				<u>\$172,311</u>

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

9. SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

10. JOINTLY GOVERNED ORGANIZATIONS

A. TRI-COUNTY COMPUTER SERVICES ASSOCIATION (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland-Wayne County Educational Service Center, which is the fiscal agent, located at 2534 Burbank Road, Wooster, OH 44691. During the year ended June 30, 2005, the District paid approximately \$68,844 to TCCSA for basic service charges.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets, errors, omissions, injuries to employees, and natural disasters. The District has a comprehensive property and casualty policy with the Hartford Insurance Company. The deductible is \$5,000 per incident on property and \$1,000 per incident on equipment. All vehicles are also insured with the Hartford Insurance Company and have a \$1,000 deductible. All board members, administrators and employees are covered under a school district liability policy with Nationwide Insurance Company. The limits of coverage are \$1,000,000 per occurrence and \$3,000,000 per aggregate. Settled claims have not exceeded this commercial coverage in any of the three past years. There has not been any significant reduction in coverage from the prior year. The board president and superintendent have a \$20,000 position bond with Nationwide Insurance Company.

The treasurer is covered under a surety bond in the amount of \$50,000. The bond is provided by the Travelers Casualty Insurance Company.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY, OHIO**

**Notes To The Financial Statements
For the Year Ended June 30, 2005**

11. RISK MANAGEMENT – (continued)

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System. The rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

12. CONTINGENT LIABILITIES

The District may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

13. COMPLIANCE

Contrary to Ohio Revised Code Section 5705.39, the District had appropriations exceeding total estimated resources in the following funds: Athletic, EMIS, Title II-A, Title II-D, FITH Quarter, ERATE, OSFC Project and Dental Insurance.

Northwestern Local School District
Federal Awards Expenditure Schedule
For the Year Ending June 30, 2005

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Pass through Ohio Department of Development:			
Nutrition Cluster:			
Food Distribution	10.550	\$ 21,481	\$ 21,481
National School Lunch Program	10.555	149,211	149,211
Breakfast Program	10.553	20,170	20,170
Summer Food Service Program	10.559	<u>3,359</u>	<u>3,359</u>
Total Nutrition Cluster		<u>194,221</u>	<u>194,221</u>
Total U.S. Department of Agriculture		194,221	194,221
<u>U.S. Department of Education</u>			
Pass through Ohio Department of Education:			
Title I - Financial Assistance to Meet Special Education Needs of Disadvantaged Children			
Title I	84.010	<u>132,217</u>	<u>132,217</u>
Total Title I		132,217	132,217
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Title VI - B	84.027	<u>278,014</u>	<u>278,014</u>
Total Title VI - B		278,014	278,014
Drug - Free School Grant			
Drug - Free School Grant - FY05	84.186	<u>5,692</u>	<u>5,692</u>
Total Drug - Free School Grant		5,692	5,692
Innovative Education Program Strategies			
Innovative Education Program Strategies	84.298	<u>8,961</u>	<u>8,961</u>
Total Innovative Education Program Strategies		8,961	8,961
Technology Literacy Challenge Grant			
Virtual Learning Review Project	84.318	<u>3,515</u>	<u>3,515</u>
Total Technology Literacy Challenge Grant		3,515	3,515
Title II-A			
Title II-A	84.367	<u>53,388</u>	<u>53,388</u>
Total Title II-A		<u>53,388</u>	<u>53,388</u>
Total U.S. Department of Education		481,787	481,787
<u>U.S. Department of Health and Human Services</u>			
Pass Through Ohio Department of Mental Retardation and Developmental Disabilities:			
Medicaid Title XIX	93.778	<u>10,220</u>	<u>10,220</u>
Total Medicaid Title XIX		10,220	10,220
SCHIP	93.767	<u>1,674</u>	<u>1,674</u>
Total SCHIP		<u>1,674</u>	<u>1,674</u>
Total U.S. Department of Health and Human Services		<u>11,894</u>	<u>11,894</u>
Total Federal Expenditures		<u>\$ 687,902</u>	<u>\$ 687,902</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

NORTHWESTERN LOCAL SCHOOL DISTRICT
Wayne County, Ohio
Notes to the Federal Awards Expenditure Schedule
For the Year Ended June 30, 2005

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education
Northwestern Local School District
West Salem, Ohio

We have audited the financial statements of Northwestern Local School District, Wayne County, Ohio (District) as of and for the years ended June 30, 2005, and have issued our report thereon dated November 15, 2005, wherein we noted the District has improperly utilized accounting practices the Auditor of State prescribes only for governmental entities not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2005.

Compliance and Other Matters

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, grant agreements and other matters, 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 several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*, which is described in the accompanying Schedule of Findings as items 2005-NWLS-01 and 2005-NWLS-02. We also noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 15, 2005.

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

Charles E. Harris and Associates, Inc.

November 15, 2005

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

**Board of Education
Northwestern Local School District
West Salem, Ohio**

Compliance

We have audited the compliance of the Northwestern Local School District with the types of compliance requirements described in 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, 2005. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 auditing standards generally accepted in the United States of America; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. 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, 2005.

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 caused by error or fraud 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 management, the Board, 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.

Charles E. Harris & Associates, Inc.
November 15, 2005

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY
June 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Adverse
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Nutrition Cluster: Food Distribution CFDA 10.550 Nat. School Break. Prog. CFDA 10.553 Nat. School Lunch Prog. CFDA 10.555 Sum. Food Service Prog. CFDA 10.559
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY
June 30, 2005

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

FINDING NUMBER 2005-NWLS-01

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its financial report in accordance with generally accepted accounting principles accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity-wide statements, and assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District does not intend to report in accordance with generally accepted accounting principles.

FINDING NUMBER 2005-NWLS-02

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the District obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

During the year ended June 30, 2005, the following funds' appropriations exceeded total estimated resources:

<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Internal Service Fund</u>
Athletic	OSFC Project	Dental Insurance
EMIS		
Title II-A		
Title II-D		
FITH Quarter		
ERATE		

The School Board should monitor appropriations versus estimated resources to help avoid overspending. Management agrees and will monitor appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**NORTHWESTERN LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	Ohio Administrative Code Section 117-2- 03 (B)-The District did not report their financial statements on the GAAP basis	No	Not Corrected-See Finding 2005- NWLSD-01



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

NORTHWESTERN LOCAL SCHOOL DISTRICT

WAYNE 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 2, 2006**