

Audit Report

July 1, 2000 through June 30, 2001



NORTHWEST LOCAL SCHOOL DISTRICT STARK COUNTY



*Certified Public Accountants
& Business Consultants*



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
Northwest Local School District

We have reviewed the Independent Auditor's Report of the Northwest Local School District, Stark County, prepared by Moore Stephens Apple for the audit period July 1, 2000 through June 30, 2001. 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 Northwest Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

January 30, 2002

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Northwest Local School District - Stark County
Audit Report – July 1, 2000 through June 30, 2001

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Report of Independent Auditors

To the Board of Education
Northwest Local School District
Canal Fulton, Ohio 44614

We have audited the accompanying general purpose financial statements of the Northwest Local School District as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the Northwest Local School 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 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Northwest Local School District as of June 30, 2001 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles, generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2001 on our consideration of the Northwest Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Northwest Local School District, taken as a whole. The accompanying schedule of expenditures of federal awards 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.

Moore Stephens Apple

Akron, Ohio
December 12, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS

**Northwest Local School District
Combined Balance Sheet - All Fund Types and Account Groups
For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			Proprietary Fund Types			Eiduciary Fund Types			Account Groups			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable Trust and Agency	General Fixed Assets	General Long-Term Obligations	General	Fixed	Assets	Obligations		Totals
ASSETS AND OTHER DEBITS:														
Assets:														
Equity in Pooled Cash and Investments	\$3,061,152	\$189,791	\$0	\$111,808	\$82,283	\$62,084	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,507,118
Receivables														
Taxes	5,994,311	0	0	186,821	0	0	0	0	0	0	0	0	0	6,181,132
Accounts	223	0	0	0	0	0	0	0	0	0	0	0	0	223
Interest	12,815	150	0	323	279	0	0	0	0	0	0	0	0	13,567
Intergovernmental	46,017	0	0	0	10,583	0	0	0	0	0	0	0	0	56,600
Materials and Supplies														
Inventory	15,697	0	0	0	8,961	0	0	0	0	0	0	0	0	24,658
Prepaid Items	3,774	0	0	0	0	0	0	0	0	0	0	0	0	3,774
Restricted Assets:														
Equity in Pooled Cash and Investments	88,916	0	0	0	0	0	0	0	0	0	0	0	0	88,916
Fixed Assets (Net where applicable, of Accumulated Depreciation)	0	0	0	0	44,342	0	11,430,626	0	0	0	0	0	0	11,474,968
Other Debits:														
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	0	0	0	0	0	1,481,694
Total Assets and Other Debits	<u>\$9,222,905</u>	<u>\$189,941</u>	<u>\$0</u>	<u>\$298,952</u>	<u>\$146,448</u>	<u>\$62,084</u>	<u>\$11,430,626</u>	<u>\$0</u>	<u>\$1,481,694</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,481,694</u>	<u>\$0</u>	<u>\$22,832,650</u>

(Continued)

The accompanying notes are an integral part of these statements.

Northwest Local School District
 Combined Balance Sheet - All Fund Types and Account Groups
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Expendable Trust and Agency	General Fixed Assets	General Long-Term Obligations			
LIABILITIES, FUND EQUITY AND OTHER CREDITS:											
Liabilities:											
Accounts Payable	\$363,802	\$36,677	\$0	\$53,295	\$0	\$1,136	\$0	\$0	\$0	\$454,910	
Accrued Wages and Benefits	1,256,373	0	0	0	29,842	0	0	0	0	1,286,215	
Compensated Absences	162,499	0	0	0	15,987	0	0	1,180,118	0	1,358,604	
Intergovernmental Payable	264,521	2,454	0	0	18,839	0	0	76,965	0	362,779	
Due to Others	0	0	0	0	0	60,948	0	0	0	60,948	
Capitalized Lease Payable	0	0	0	0	0	0	0	224,611	0	224,611	
Deferred Revenue	5,791,751	0	0	181,796	0	0	0	0	0	5,973,547	
Total Liabilities	7,838,946	39,131	0	235,091	64,668	62,084	0	1,481,634	0	9,721,614	

(Continued)

The accompanying notes are an integral part of these statements.

**Northwest Local School District
 Combined Balance Sheet - All Fund Types and Account Groups
 For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special	Debt Service	Capital Projects	Enterprise	Expendable Trust and Agency	General Fixed Assets	General Long-Term Obligations	General	Fixed	Obligations	
Fund Equity and Other Credits:												
Investment in												
General Fixed Assets	0	0	0	0	0	0	0	0	0	11,430,626	0	11,430,626
Retained Earnings-Unreserved	0	0	0	0	81,780	0	0	0	0	0	0	81,780
Fund Balances												
Reserved for Property Tax	202,560	0	0	5,025	0	0	0	0	0	0	0	207,585
Reserved for Encumbrances	176,524	82,112	0	65,813	0	0	0	0	0	0	0	324,449
Reserved for Inventory	15,697	0	0	0	0	0	0	0	0	0	0	15,697
Reserved for Prepaid Items	3,774	0	0	0	0	0	0	0	0	0	0	3,774
Reserved for Textbooks and Supplies	26,019	0	0	0	0	0	0	0	0	0	0	26,019
Reserved for Stabilization	62,897	0	0	0	0	0	0	0	0	0	0	62,897
Unreserved - Undesignated	896,488	68,638	0	(6,977)	0	0	0	0	0	0	0	958,209
Total Fund Equity and Other Credits	1,383,959	150,810	0	63,861	81,780	0	0	0	0	11,430,626	0	13,111,036
Total Liabilities, Fund Equity and Other Credits	\$9,222,905	\$189,941	\$0	\$298,952	\$146,448	\$62,084	\$11,430,626	\$1,481,694	\$22,832,650			

The accompanying notes are an integral part of these statements.

**Northwest Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special	Debt	Capital	Fund Type	
		Revenue	Service	Projects	Expendable Trust	
REVENUES:						
Taxes	\$5,264,177	\$0	\$0	\$164,116	\$0	\$5,428,293
Tuition and Fees	227,521	0	0	0	0	227,521
Intergovernmental	7,850,338	584,740	0	133,084	0	8,568,162
Interest	238,002	3,181	0	3,543	0	244,726
Extracurricular Activities	1,420	207,442	0	0	0	208,862
Other	30,674	19,876	0	0	0	50,550
Classroom Materials & Fees	<u>33,180</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,180</u>
Total Revenues	<u>13,645,312</u>	<u>815,239</u>	<u>0</u>	<u>300,743</u>	<u>0</u>	<u>14,761,294</u>
EXPENDITURES:						
Current						
Instruction						
Regular	6,989,366	94,068	0	101,000	0	7,184,434
Special	1,361,730	133,645	0	0	0	1,495,375
Vocational	219,712	0	0	0	0	219,712
Other	81,653	0	0	0	0	81,653
Support Services						
Pupil	631,876	121,612	0	0	0	753,488
Instructional Staff	182,541	10,190	0	0	0	192,731
Board of Education	15,040	0	0	14	0	15,054
Administration	1,243,392	17,614	0	0	0	1,261,006
Fiscal	327,741	0	0	650	0	328,391
Operation and Main- tenance of Plant	1,374,839	8,500	0	147,115	0	1,530,454
Pupil Transportation	978,451	196	0	0	0	978,647
Central	154,505	138,250	0	0	0	292,755
Community Services	0	149,465	0	0	0	149,465
Extracurricular Activities	210,619	91,175	0	3,563	0	305,357
Building Acquisition and Construction	<u>55,073</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,073</u>
Total Expenditures	<u>13,826,538</u>	<u>764,715</u>	<u>0</u>	<u>252,342</u>	<u>0</u>	<u>14,843,595</u>
Revenues Over (Under) Expenditures	<u>(181,226)</u>	<u>50,524</u>	<u>0</u>	<u>48,401</u>	<u>0</u>	<u>(82,301)</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Northwest Local School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	
OTHER FINANCING SOURCES (USES):						
Sale of Fixed Assets	6,770	0	0	0	0	6,770
Operating Transfers - In	301,725	0	0	0	0	301,725
Operating Transfers - Out	(301,725)	0	0	0	0	(301,725)
Total Other Financing Sources (Uses)	<u>6,770</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,770</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(174,456)	50,524	0	48,401	0	(75,531)
Fund Balances (Deficit) at Beginning of Year	1,558,415	100,286	0	15,460	0	1,674,161
Increase in Reserve for Inventory	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u><u>\$1,383,959</u></u>	<u><u>\$150,810</u></u>	<u><u>\$0</u></u>	<u><u>\$63,861</u></u>	<u><u>\$0</u></u>	<u><u>\$1,598,630</u></u>

The accompanying notes are an integral part of these statements.

Northwest Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 5,341,723	\$ 5,341,723	\$ -
Tuition and Fees	227,298	227,298	-
Intergovernmental	7,811,371	7,811,371	-
Interest	241,376	241,376	-
Extracurricular Activities	1,420	1,420	-
Classroom Materials & Fees	33,180	33,180	-
Other	30,674	30,674	-
Total Revenues	<u>13,687,042</u>	<u>13,687,042</u>	<u>-</u>
EXPENDITURES:			
Current			
Instruction			
Regular	6,953,020	6,934,389	18,631
Special	1,292,434	1,289,764	2,670
Vocational	219,031	218,641	390
Adult Continuing	-	-	-
Other	84,945	84,945	-
Support Services			
Pupil	606,038	604,351	1,687
Instructional Staff	194,572	194,573	(1)
Board of Education	40,468	40,468	-
Administration	1,217,956	1,217,956	-
Fiscal	341,573	341,573	-
Operation and Maintenance of Plant	1,449,011	1,386,113	62,898
Pupil Transportation	957,383	957,383	-
Central	179,913	179,913	-
Food Service Operations	-	-	-
Community Services	26,345	26,345	-
Extracurricular Activities	213,446	213,446	-
Facilities Acquisition and Construction	2,946,467	127,258	2,819,209
Capital Outlay	-	-	-
Debt Service	-	-	-
Principal Retirement and Interest	-	-	-
Total Expenditures	<u>16,722,602</u>	<u>13,817,118</u>	<u>2,905,484</u>
Revenues Over (Under) Expenditures	<u>(3,035,560)</u>	<u>(130,076)</u>	<u>2,905,484</u>
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	6,770	6,770	-
Advances - In	-	-	-
Advances - Out	-	-	-
Refund of Prior Year Expenditures	-	-	-
Refund of Prior Year Receipt	-	-	-
Operating Transfers - In	301,725	301,725	-
Operating Transfers - Out	(301,725)	(301,725)	-
Total Other Financing Sources (Uses)	<u>6,770</u>	<u>6,770</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(3,028,790)</u>	<u>(123,306)</u>	<u>2,905,484</u>
Fund Balances at Beginning of Year	2,644,715	2,644,715	-
Prior Year Encumbrances	384,075	384,075	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 2,905,484</u>	<u>\$ 2,905,484</u>

The accompanying notes are an integral part of these statements.

Special Revenue Fund			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
584,740	584,740	-	-	-	-
3,211	3,211	-	-	-	-
207,443	207,443	-	-	-	-
-	-	-	-	-	-
19,876	19,876	-	-	-	-
<u>815,270</u>	<u>815,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
208,638	183,793	24,845	-	-	-
150,823	150,765	58	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
124,440	122,772	1,668	-	-	-
10,148	10,147	1	-	-	-
-	-	-	-	-	-
13,441	13,441	-	-	-	-
4,523	4,523	-	-	-	-
-	-	-	-	-	-
9,500	8,500	1,000	-	-	-
200	200	-	-	-	-
197,086	171,811	25,275	-	-	-
-	-	-	-	-	-
175,156	175,156	-	-	-	-
112,271	97,027	15,244	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,006,226</u>	<u>938,135</u>	<u>68,091</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(190,956)</u>	<u>(122,865)</u>	<u>68,091</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(190,956)	(122,865)	68,091	-	-	-
72,849	72,849	-	-	-	-
118,107	118,107	-	-	-	-
<u>\$ -</u>	<u>\$ 68,091</u>	<u>\$ 68,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Northwest Local School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types and Similar Trust Funds
For the Fiscal Year Ended June 30, 2001

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes	\$ 166,025	\$ 166,025	\$ -
Tuition and Fees	-	-	-
Intergovernmental	133,084	133,084	-
Interest	3,670	3,670	-
Extracurricular Activities	-	-	-
Classroom Materials & Fees	-	-	-
Other	-	-	-
Total Revenues	<u>302,779</u>	<u>302,779</u>	<u>-</u>
EXPENDITURES:			
Current			
Instruction			
Regular	101,000	101,000	-
Special	-	-	-
Vocational	-	-	-
Adult Continuing	-	-	-
Other	-	-	-
Support Services			
Pupil	-	-	-
Instructional Staff	-	-	-
Board of Education	14	14	-
Administration	-	-	-
Fiscal	651	651	-
Operation and Maintenance of Plant	283,374	271,114	12,260
Pupil Transportation	-	-	-
Central	-	-	-
Food Service Operations	-	-	-
Community Services	-	-	-
Extracurricular Activities	4,911	4,911	-
Facilities Acquisition and Construction	-	-	-
Capital Outlay	-	-	-
Debt Service	-	-	-
Principal Retirement and Interest	-	-	-
Total Expenditures	<u>389,950</u>	<u>377,690</u>	<u>12,260</u>
Revenues Over (Under) Expenditures	<u>(87,171)</u>	<u>(74,911)</u>	<u>12,260</u>
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	-	-	-
Advances - In	-	-	-
Advances - Out	-	-	-
Refund of Prior Year Expenditures	-	-	-
Refund of Prior Year Receipt	-	-	-
Operating Transfers - In	-	-	-
Operating Transfers - Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(87,171)	(74,911)	12,260
Fund Balances at Beginning of Year	5,796	5,796	-
Prior Year Encumbrances	81,375	81,375	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 12,260</u>	<u>\$ 12,260</u>

The accompanying notes are an integral part of these statements.

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 5,507,748	\$ 5,507,748	\$ -
-	-	-	227,298	227,298	-
-	-	-	8,529,195	8,529,195	-
-	-	-	248,257	248,257	-
-	-	-	208,863	208,863	-
-	-	-	33,180	33,180	-
-	-	-	50,550	50,550	-
-	-	-	14,805,091	14,805,091	-
-	-	-	7,262,658	7,219,182	43,476
-	-	-	1,443,257	1,440,529	2,728
-	-	-	219,031	218,641	390
-	-	-	-	-	-
-	-	-	84,945	84,945	-
-	-	-	730,478	727,123	3,355
-	-	-	204,720	204,720	-
-	-	-	40,482	40,482	-
-	-	-	1,231,397	1,231,397	-
-	-	-	346,747	346,747	-
-	-	-	1,741,885	1,665,727	76,158
-	-	-	957,583	957,583	-
-	-	-	376,999	351,724	25,275
-	-	-	-	-	-
-	-	-	201,501	201,501	-
-	-	-	330,628	315,384	15,244
-	-	-	2,946,467	127,258	2,819,209
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	18,118,778	15,132,943	2,985,835
-	-	-	(3,313,687)	(327,852)	2,985,835
-	-	-	6,770	6,770	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	301,725	301,725	-
-	-	-	(301,725)	(301,725)	-
-	-	-	6,770	6,770	-
-	-	-	(3,306,917)	(321,082)	2,985,835
-	-	-	2,723,360	2,723,360	-
-	-	-	583,557	583,557	-
\$ -	\$ -	\$ -	\$ -	\$ 2,985,835	\$ 2,985,835

Northwest Local School District
 Combined Statement of Revenues, Expenses, and Changes in
 Retained Earnings - All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
OPERATING REVENUES:	
Sales	\$398,140
Charges for Services	<u>2,857</u>
Total Operating Revenues	<u>400,997</u>
OPERATING EXPENSES:	
Salaries and Wages	174,307
Fringe Benefits	88,114
Contract Services	17,098
Cost of Sales	270,080
Depreciation	15,703
Maintenance and Repairs	<u>9,255</u>
Total Operating Expenses	<u>574,557</u>
Operating Loss	<u>(173,560)</u>
NON-OPERATING REVENUES:	
Donated Commodities	27,357
Operating Grants	89,761
Interest Income	<u>7,051</u>
Total Non-Operating Revenues	<u>124,169</u>
Net Income (Loss)	(49,391)
Retained Earnings at Beginning of Year	<u>131,171</u>
Retained Earnings at End of Year	<u><u>\$81,780</u></u>

The accompanying notes are an integral part of these statements.

**Northwest Local School District
 Combined Statement of Revenues, Expenditures, and Changes
 in Fund Equity - Budget Basis and Actual
 Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001**

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Food Services	\$ 398,140	\$ 398,140	\$ -
Classroom Materials and Fees	2,857	2,857	-
Total Operating Revenues	<u>400,997</u>	<u>400,997</u>	<u>-</u>
EXPENSES:			
Salaries	175,582	175,582	-
Employees' Benefits	85,764	85,764	-
Purchased Services	22,128	22,128	-
Supplies and Materials	314,303	268,929	45,374
Capital Outlay	35,573	35,573	-
Other	-	-	-
Total Operating Expenses	<u>633,350</u>	<u>587,976</u>	<u>45,374</u>
Revenues Over (Under) Expenses	<u>(232,353)</u>	<u>(186,979)</u>	<u>45,374</u>
NON OPERATING REVENUE			
Interest	7,804	7,804	-
Intergovernmental Grants	78,625	78,625	-
Net Excess of Revenues Over/(Under) Expenses	<u>(145,924)</u>	<u>(100,550)</u>	<u>45,374</u>
Fund Balances at Beginning of Year	142,196	142,196	-
Prior Year Encumbrances	<u>3,728</u>	<u>3,728</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 45,374</u>	<u>\$ 45,374</u>

The accompanying notes are an integral part of these statements.

**Northwest Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Enterprise Funds
Cash flows from operating activities:	
Operating loss	\$ (173,560)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities	
Depreciation	15,703
Donated commodities in cost of sales	28,448
Change in assets and liabilities that increase (decrease) cash flow from operations	
Interest receivable	753
Intergovernmental receivable	(10,583)
Material and supplies inventory	1,987
Accounts payable	(553)
Accrued wages and benefits	(2,290)
Intergovernmental payable	60
Compensated absences	(1,275)
	(141,310)
Net cash used in operating activities	(141,310)
Cash flows from non-capital financing and investing activities:	
Operating grants received	89,761
Purchased fixed assets	(19,142)
Other non-operating revenue	7,051
	77,670
Net cash provided by non-capital financing and investing activities	77,670
Net increase in cash and cash equivalents	(63,640)
Cash and cash equivalents - beginning of year	145,923
Cash and cash equivalents - end of year	\$ 82,283
Noncash capital investing and related financing activities:	
Donated commodities received	\$ 27,357

The accompanying notes are an integral part of these statements.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

1. *Description of the Entity*

The Northwest Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Northwest Local School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 2000 was 2,495. The School District employed 174 certified employees and 100 non-certified employees.

The School District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the School District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

The second criterion used in evaluating potential component units is the scope of public service. Application of this criteria involves considering whether the activity benefits the School District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the School District is able to exercise oversight responsibilities. Based upon the application of these criteria, the School District has no component units.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. *Description of the Entity – Continued*

The School District is associated with certain organizations which are defined as Jointly Governed Organizations and Public Entity Risk Pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Government's Risk Sharing Pool and The Stark County Government's Workers' Compensation Group Rating Plan.

2. *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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial 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) are accounted for through governmental funds. The following are the School District's governmental fund types:

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Basis of Presentation - Fund Accounting - Continued*

General Fund - This 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 - These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Fund - This fund is 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 and trust funds).

Proprietary Fund Types:

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 are the School District's proprietary fund types:

Enterprise Funds - These 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 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 the governing body has 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.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *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 other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental 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.

3. *Measurement Focus and Basis of Accounting*

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds 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 combined 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.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Measurement Focus and Basis of Accounting - Continued*

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and 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. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., 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, expendable trust 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 thirty days after year end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when a potential revenue does not meet with the measurable and available criteria for recognition in the current period. In subsequent periods, 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, 2001 and delinquent property taxes, whose availability is indeterminate, and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue as more fully described in Note C.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Measurement Focus and Basis of Accounting - Continued*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue.

4. *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. The legal level of budgetary control is at the object level within each function. Any budgetary modification at this level may only be made by resolution of the Board of Education.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Budgetary Process* - Continued

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 Stark 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 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 increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

Appropriations:

By October 1, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the School District. Appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation at any

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Budgetary Process* - Continued

Appropriations: - Continued

level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and 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 year end are reported as a reservation of fund balances 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 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 need not be reappropriated.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Budgetary Process - Continued*

Budgetary Basis of Accounting:

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget Basis and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget Basis and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are reported 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 for proprietary fund types (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).

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

4. *Budgetary Process - Continued*

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

**Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Similar Trust Funds**

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$(174,456)	\$ 50,524	\$ 0	\$ 48,401	\$ 0
Net Adjustment for Revenue Accruals	41,730	31	0	2,036	0
Net Adjustment for Expenditure Accruals	9,420	(173,420)	0	(125,348)	0
Adjustment for Other Sources	0	0	0	0	0
Budget Basis	<u>\$(123,306)</u>	<u>\$ (122,865)</u>	<u>\$ 0</u>	<u>\$ (74,911)</u>	<u>\$ 0</u>

**Net Income (Loss)/Revenue Over (Under)
Expenses, Advances and Operating Transfers
Proprietary Fund Types**

	Enterprise
GAAP Basis	\$ (49,391)
Net Adjustment for Revenue Accruals	(10,383)
Commodities Received	(27,357)
Net Adjustment for Expense Accruals	(57,570)
Commodities Used	28,448
Depreciation	15,703
Budget Basis	<u>\$ (100,550)</u>

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Pooled Cash and Investments*

The School District maintains a cash and investment pool used by all funds.

The amounts of this pooled investment are reflected on the Combined Statement of Cash, Investments, and Fund Cash Balances as Cash, Cash Equivalents and/or Other Investments.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash investment pool are considered to be cash equivalents.

Legal Requirements:

Statutes require the classification of monies held by the School District into three categories.

Category A consists of "active" monies, those monies required to be kept in a "cash" or a "near cash" status for immediate use by the School District. Such monies must be maintained either as cash in the School District treasury or negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category C consists of "interim" monies, those monies which are not needed for immediate use, but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Pooled Cash and Investments* – Continued

Legal Requirements: - Continued

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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, included but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Pooled Cash and Investments* – Continued

Legal Requirements: - Continued

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least nationally recognized rating agencies.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

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 or transfer from the custodian.

Deposits:

At year end, the carrying amount of the School District's cash deposits was \$(377,534) and the bank balance was \$2,563. Of the bank's balance:

1. \$2,563 was covered by the federal depository insurance.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Pooled Cash and Investments* – Continued

Investments:

The School District's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

1. Securities held by the entity or its agent in the entity's name (Category 1).
2. Securities held by the counterparty's trust department or agent in the entity's name (Category 2).
3. Securities are held by the counterparty, or by its trust department or agent but not in the entity's name (Category 3).

Statutory provisions require that all securities acquired by the School District be held by the School District treasurer or deposited with a qualified trustee unless the counterparty is a designated depository of the School District for the current period of designation of depositories, in which case the securities may be held in trust by the depository.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2001. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share prices, which is the price the investment could be sold for on June 30, 2001. This is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Pooled Cash and Investments - Continued*

Investments: - Continued

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$410,000	\$ 410,000	\$ 410,000
STAROhio	0	3,563,568	3,563,568
Totals	\$410,000	\$ 3,973,568	\$ 3,973,568

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 3,596,034	\$ 0
Investments:		
Repurchase Agreement	(410,000)	410,000
STAROhio	(3,563,568)	3,563,568
GASB Statement 3	\$ (377,534)	\$ 3,973,568

6. *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 and are maintained on the district computer system. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory are equally offset by a fund balance reserve in the governmental funds which indicates that it does not

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

6. *Inventory – Continued*

constitute available spendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale and are expensed when used.

7. *Fixed Assets And Depreciation*

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction 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 respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The School District has established a capitalization threshold for fixed assets at \$500. Books, records, movies, and other learning aids kept at the School District Library are also included for reporting purposes. The School District does not possess any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The School District's policy is not to capitalize interest costs incurred as part of construction.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line basis over an estimated useful life of five to ten years.

8. *Intergovernmental Revenues*

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, 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 received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The School District

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Intergovernmental Revenues* - Continued

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

Entitlements

General Fund
State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds
Title I
Chapter II
Drug Free Schools
Special Education - Title 6B - Handicapped Children

9. *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items.

10. *Short-Term, Interfund Assets/Liabilities*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as interfund receivables/payables.

11. *Compensated Absences*

Employees earn vacation at rates specified by the Union Contractual Agreement based on credited service. Administrative and 260-day employees are entitled to vacation ranging from 10 to 20 days.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a certified employee upon retirement is limited to

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Compensated Absences – Continued

twenty-five percent of the value of the first 120 days plus one tenth of the excess of 147 days not to exceed 267 days. The total maximum is 45 days. The amount paid to a classified employee upon retirement is limited to twenty-five percent of the first 120 days of sick leave plus one tenth of the excess of 147 days not to exceed 267 days. The total maximum is 45 days. At June 30, 2001, a current liability of \$162,499, and \$15,987 in the general and enterprise funds, respectively, has been provided for earned but unused sick leave severance.

The School District adopted GASB No. 16, "Accounting for Compensated Absences," effective July 1, 1994. As a result, the School District has recorded an estimated long-term liability of \$1,180,118 for severance pay and sick leave payable at June 30, 2001. The amount has been recorded in the General Long-Term Debt Account Group since the liability will not require the use of current expendable available financial resources.

12. Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the debt service fund and the general long-term debt account group, with principal and interest payments on matured general long-term debt reported in the debt service fund. To comply with GAAP reporting requirements, the School District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. *Interfund Transactions*

Quasi-external transactions are accounted for as revenues, 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.

14. *Fund Equity*

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for reappropriation in future periods. Fund equity reserves are established for encumbrances, inventory, prepaid items, taxes, budget stabilization and textbooks and supplies.

15. *Proprietary Fund Accounting*

Under the guideline of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting," the School District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989 to its proprietary activities.

16. *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 could differ from those estimates.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

17. *Total Columns On General Purpose Financial Statements*

Total columns on the general purpose financial statements are captioned (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 eliminations have not been made in the aggregation of this data.

18. *Change in Accounting Principles*

For fiscal year 2001, the District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenue." At June 30, 2001, there was no effect on beginning fund balance due to this action.

NOTE B - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES - FUND DEFICITS

Fund balances at June 30, 2001 included the following individual fund deficits:

DEFICIT FUND BALANCES

Special Revenue Funds

Teacher Development	\$ 43
M.I.S. Fund	114
Title 1	706
Class Size Reduction Grant	175

The special revenue deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE C - PROPERTY TAX

Real property tax is levied each January 1 on the assessed value listed on the prior September 1 for all real property located in the School District. Assessed values are established by the County Auditor at 35% of current market value. Reappraisal of all property is required every six years with triennial updates. The

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE C - PROPERTY TAX – Continued

last update was completed for the tax year 1998 for Stark County and 1998 for Summit County and Wayne County.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property for tax year 2000 was \$57.50 for Wayne, Summit and Stark Counties per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$35.50 for Wayne, Summit and Stark Counties per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$36.09 for Wayne, Summit and Stark Counties per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax year 2001 was \$57.50 for Wayne, Summit and Stark Counties per \$1,000 of assessed valuation.

STARK COUNTY

Real Property - 2000 Valuation	
Residential/Agricultural	\$165,667,480
Commercial/Industrial	20,001,540
Tangible Personal Property - 2001 Valuation	
General	11,504,090
Public Utilities	13,068,460
Total Valuation	<u>\$210,241,570</u>

The respective County Treasurers collect property tax on behalf of all taxing districts within the county. The respective County Auditors periodically remit to the taxing districts their portions of the taxes collected.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE C - PROPERTY TAX - Continued

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. 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 of \$207,585, is recognized as revenue.

NOTE D - INSURANCE

1. *Property Insurance*

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

2. *Health Benefits Program*

The School District is a member of the Stark County Schools Council (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the Program) is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

3. *Group Insurance Pool*

The Stark County Council of Governments has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The group is comprised of the treasurers of the members who have been appointed by the respective governing body of each member.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE D – INSURANCE – Continued

3. *Group Insurance Pool - Continued*

The intent of the pool is to achieve a reduced rate for the School District by the grouping with other members of the groups. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member's entity annually, based on its payroll percentage of the group.

NOTE E - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 140,886
Less Accumulated Depreciation	(96,544)
Net Fixed Assets	\$ 44,342

A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land and Buildings	\$ 5,463,986	\$ 134,839	\$ 0	\$ 5,598,825
Furniture and Equipment	4,305,683	114,446	38,320	4,381,809
Vehicles	1,262,229	325,352	137,589	1,449,992
Total	\$11,031,898	\$ 574,637	\$ 175,909	\$ 11,430,626

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2001

NOTE F - LONG-TERM DEBT

Long-term obligations of the School District as of June 30, 2001 were as follows:

	<u>Outstanding July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2001</u>
SERS Payable	\$ 77,555	\$ 76,965	\$ 77,555	\$ 76,965
Capital Lease Payable	324,264	0	99,653	224,611
Compensated Absences	<u>1,161,976</u>	<u>18,142</u>	<u>0</u>	<u>1,180,118</u>
Totals	<u>\$ 1,563,795</u>	<u>\$ 95,107</u>	<u>\$ 177,208</u>	<u>\$ 1,481,694</u>

NOTE G - LEASING ARRANGEMENTS

The School District leases the following equipment under noncancelable operating leases: copier machines — 60-month leases.

The following is a schedule of future minimum rental payments required under the above operating leases as of June 30, 2001:

<u>Year Ending June 30,</u>	<u>Amount</u>
2002	\$ 46,013
2003	46,013
2004	25,565
2005	5,117

Rental expense amounted to \$48,580 for the year ended June 30, 2001.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE H – CAPITAL LEASES – LESSEE DISCLOSURE

The District has entered into a capitalized lease for 216 computers and 46 printers on August 4, 2000. These 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 for the fiscal year ended June 30, 2001 totaled \$116,748.

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, 2001.

Fiscal Year Ending June 30, 2002	\$116,748
2003	<u>116,748</u>
Total	233,496
Less: Amount Representing Interest	<u>8,885</u>
Present Value of Net Minimum Lease Payments	<u>\$224,611</u>

NOTE I - RETIREMENT PLANS

Northwest Local School District provides retirement benefits to all certified employees under the State Teachers' Retirement System and to all noncertified employees under the School Employees Retirement System. Both are cost-sharing, multiple-employer plans.

1. *State Teachers' Retirement System (STRS)*

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

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE I - RETIREMENT PLANS - Continued

1. *State Teachers' Retirement System (STRS) – Continued*

Plan members are required to contribute 9 percent of their annual covered salary and the Northwest Local School District is required to contribute 14 percent; 14 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by STRS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$1,005,672, \$988,128, and \$902,316, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$172,824, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

2. *School Employees Retirement System (SERS)*

The Northwest Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Northwest Local School District is required to contribute 14 percent; 14 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for the pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$267,180, \$243,834, and \$227,796, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$133,080, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term debt account group.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE I - RETIREMENT PLANS – Continued

3. *Post-Employment 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 noncertified 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 obligations 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of monthly premiums. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$138,749 during the 2000 fiscal year. As of July 1, 2000, eligible benefit recipients totaled 99,011. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year, employer contributions to fund health care benefits were 4.98 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 2000, the minimum pay has been established at \$12,400.

The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140.7 million.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE J - FEDERAL AND STATE GRANTS (Intergovernmental Receipts)

During the year ended June 30, 2001, the School District received grants-in-aid from federal and state sources amounting to \$433,733 and \$8,174,047, respectively, for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the School District's management believes such disallowances, if any, would be immaterial.

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds, food service and uniform school supplies, which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 2001:

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$ 398,140	\$ 2,857	\$ 400,997
Operating Expenses Before			
Depreciation	553,295	4,559	557,854
Depreciation	15,703	0	15,703
Operating loss	(171,858)	(1,702)	(173,560)
Interest Income	7,051	0	7,051
Operating Grants	89,761	0	89,761
Donated Commodities	27,357	0	27,357
Net Non-Operating			
Revenue/Expenses	124,169	0	124,169
Net Loss	(47,689)	(1,702)	(49,391)
Net Working Capital	36,941	497	37,438
Total Assets	145,951	497	146,448
Total Equity	81,283	497	81,780
Reserve for Encumbrances	36,910	0	36,910

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE L - JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium (SPARCC):

SPARCC is a jointly governed organization created as a regional council of governments consisting of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists.

NOTE M – OTHER REQUIRED FUND DISCLOSURES

A. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and textbook and material reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE M – OTHER REQUIRED FUND DISCLOSURES - Continued

B. Set-Aside Requirements

State of Ohio House Bill 412 requires the School District to set aside a portion of the general operating resources for future use. For the fiscal year ended June 30, 2001, the following table discloses the required set-asides:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 262,838	\$ 262,838
Current Year Set-aside Requirement	305,351	305,351	101,784	712,486
Current Year Offsets	0	0	0	0
Qualifying Disbursements	<u>(279,332)</u>	<u>(320,708)</u>	<u>(301,725)</u>	<u>(901,765)</u>
Total	<u>26,019</u>	<u>(15,357)</u>	<u>62,897</u>	
Cash Balance Carried Forward to FY 2002	<u>\$ 26,019</u>	<u>\$ 0</u>	<u>\$ 62,897</u>	<u>88,916</u>
Total Restricted Assets				<u>\$ 88,916</u>

NOTE N - STATE SCHOOL FUNDING DECISIONS

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**NORTHWEST LOCAL SCHOOL DISTRICT
STARK COUNTY**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

June 30, 2001

NOTE N - STATE SCHOOL FUNDING DECISIONS – Continued

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 7, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and re-determine any issue upon such reconsideration.

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

**Northwest Local School District - Stark County
Schedule of Expenditure of Federal Awards
for the Year Ended June 30, 2001**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Education</u>						
Passed through the State Department of Education						
Title 1 - Education Consolidated Improvement Act of 1998	84.010	049908-C1-S1	\$ 146,516	\$ -	\$ 146,516	\$ -
Total Title 1			146,516	-	146,516	-
Title II - Dwight D. Eisenhower Professional Development Program	84.281	N/A	8,340	-	8,340	-
Total Title II			8,340	-	8,340	-
Title VI-B - Education Handicapped Children Act	84.027	049908-6B-SF	141,986	-	139,359	-
Total Title VI-B			141,986	-	139,359	-
Title VI - Education Consolidation Improvement Act	84.298	049908-C2-S1	12,860	-	10,089	-
Total Title VI			12,860	-	10,089	-
Drug Free Schools Grant	84.186	049908-DR-S1	9,828	-	5,540	-
Total Drug Free Schools Grant			9,828	-	5,540	-
Class Size Reduction	84.340	N/A	38,788	-	51,917	-
Total U.S. Department of Education			358,318	-	361,761	-

**Northwest Local School District - Stark County
Schedule of Expenditure of Federal Awards - Continued
for the Year Ended June 30, 2001**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through the State Department of Education						
Child Nutrition Cluster: Food Distribution Program	10.550	049908	(A) \$ -	\$ 27,357	\$ -	\$ 28,448
National School Lunch Program	10.555	049908	(B) 67,736	-	67,736	-
Total Department of Agriculture			<u>67,736</u>	<u>27,357</u>	<u>67,736</u>	<u>28,448</u>
Total Federal Financial Assistance			<u>\$ 426,054</u>	<u>\$ 27,357</u>	<u>\$ 429,497</u>	<u>\$ 28,448</u>

(A) Valued at fair market value less cost to the School District. Assumed expended on a first-in, first-out basis.

(B) Commingled with state and local funds. Assumed expended on a first-in, first-out basis.

This schedule is prepared on the cash basis of accounting.

**Independent Auditors' Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Education
Northwest Local School District
Canal Fulton, Ohio 44614

We have audited the general purpose financial statements of the Northwest Local School District (the District), as of and for the year ended June 30, 2001 and have issued our report thereon dated December 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Northwest Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

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

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

Moore Stephens Apple

Akron, Ohio
December 12, 2001

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

To the Board of Education
Northwest Local School District
Canal Fulton, OH 44614

Compliance

We have audited the compliance of Northwest Local School 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 each of its major federal programs for the year ended June 30, 2001. Northwest Local School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Northwest Local School District's management. Our responsibility is to express an opinion on Northwest Local School 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Local School 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 Northwest Local School District's compliance with those requirements.

In our opinion, Northwest Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Northwest Local School 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 Northwest Local School 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 OMBCircular 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 solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Moore Stephens Apple

Akron, Ohio
December 12, 2001

Northwest Local School District - Stark County

Schedule of Findings and Questioned Costs

June 30, 2001

1. Summary of Auditors' Results

Unqualified opinion was issued on the financial statements.

Material control weaknesses at the financial statement level - none noted.

Other reportable control weaknesses at the financial statement level – none noted.

There was no material non-compliance at the financial statement level.

Reportable control weaknesses for major federal programs - none noted.

For those items tested, there was no material non-compliance for major federal programs.

Unqualified opinion was issued on major programs compliance.

The audit disclosed no findings under OMB Circular A-133.

The District's major program tested was Title I - CFDA #84.010.

There were no Type A Programs (\$300,000) and Type B programs were all other programs.

The Auditee was low risk.

2. There were no audit findings or questioned costs for federal awards during the year ended June 30, 2001.

3. There were no audit findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards for the year ended June 30, 2001.

Northwest Local School District - Stark County

Schedule of Prior Audit Findings

June 30, 2001

The prior audit report of the Northwest Local School District, issued as of June 30, 2000, included no citation and no recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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NORTHWEST LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2002**